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THE EVOLUTION OF INDUSTRY

BY D. H. MACGREGOR, M.A.

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PREFACE

In this book I have attempted to meet the request of the Editors that I should describe the recent changes which have given us the present condition of the working classes. It has only been possible to give an outline of events, and to suggest the principles which seem to me to be involved. In view of the fact that a volume has already been contributed to this series on Socialism, I have stopped on the threshold of that subject, and have tried to make this study a way of approach to that larger question. I shall be glad if I have succeeded in giving a survey of the field which will incite to further exploration, and help to explain the unrest which is so great a feature of this critical time.

D. H. M.

TO

L. H. R. M.

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EVOLUTION OF INDUSTRY

CHAPTER I

THE MEANING OF INDUSTRIAL EVOLUTION

I

THE evolution of industry is the story of the attempt to solve a single and definite problem. The means which are taken to solve it are constantly becoming more complicated and more wonderful. So much so that these means become by themselves a thing to study for their interest and ingenuity. Clever machines, and new processes of working, and devices for better organization, are part of the history of human skill, and we can study them simply as pages in the records of achievement. The labour of men's minds and hands has given us machines which carry many materials at once through many processes with even more precision and regular-

ity than if they had thought; and also forms of organization which account for every detail of cost, and time, and by-product. As the firm grows bigger and the market spreads over the world, industrial discovery and government stand out like a piece of work which can be looked at for itself, like an object of art that is impressive for both power and fineness. But the real problem of industrial evolution is hidden by a study of this kind. All this effort has an end beyond itself. It is the growing pressure of material need that has called out all this ingenuity and resource, and made a market for all this skill. And the true nature of what is being done is not seen in the thing itself, but in what lies behind it.

In the shortest chapter of his great book, John Mill has stated the question in its simplest terms. He draws attention first to industrial history simply as a record of man's devising ability.

"Of the features which characterize the progressive economical movement of civilized nations, that which first excites attention is the perpetual and, so far as human foresight can extend, the unlimited growth of man's power over nature. Our knowledge of the properties and laws of physical objects shows

no sign of approaching its ultimate boundaries; it is advancing more rapidly, and in a greater number of directions at once, than in any previous age or generation, and affording such frequent glimpses of unexplored fields beyond, as to justify the belief that our acquaintance with nature is still almost in its infancy. This increasing physical knowledge is now, too, more rapidly than at any former period, converted by practical ingenuity into physical power. The most marvellous of modern inventions, one which realizes the imaginary feats of the magician—the electro-magnetic telegraph—sprang into existence but a few years after the establishment of the scientific theory which it exemplifies." Now the same is true of organization. "Works of all sorts are daily accomplished by civilized nations, not by any greatness of faculty in the agents, but through the fact that each is able to rely with certainty on the others for the portion of the work which they respectively undertake. The peculiar characteristic of civilized beings is the capacity of co-operation; and this tends to improve by practice, and becomes capable of assuming a constantly wider sphere of action." It was this same view of industrial progress—the spectacular view—

which led Macaulay to write a triumphant passage in his *Essay* on Bacon.

But behind this record of progress in organization and resource, Mill sees the problem on which it all bears—the growth of the people in number and in wants. The machine is as elaborate and wonderful as it is, because the work to do is getting less simple, and every possible economy of resources is required. In this chapter he thinks it possible, and elsewhere he doubted if it were not the fact, that the people might increase "in numbers only, and not in comfort or cultivation." The whole system might be wonderful, and yet might not solve its real problem. Out of what conditions does this difficulty come? What are the forces whose working drives the evolution of industry?

II

There are two opposed forces, straining different ways, with which we have to reckon. All invention and organization are an attempt to overcome the opposition and make a balance.

On one side, there is the growth of the people. Every generation sees a greater demand for goods, if the standard of life

is not to fall. Everything that happens in industry is for the sake, in the end, of meeting this larger demand. In order only to keep up the same standard of life, we should require devices and resources for a gross increase in volume of goods made. This would mean no advance in comfort, but simply the holding off of distress. But the wants of a people grow in variety as well as in amount. The course of foreign trade may offer new goods to a nation in payment for its exports; or the rich may enjoy goods which the masses of the people see and come to desire; or the process which is simply called development may raise new wants out of old ones. This is a strain which never ceases. Later stages, and higher levels of comfort, rather increase than lessen it. Greater capacities for enjoyment come out of great opportunities to enjoy. They grow by what they feed on, and social agitation for the betterment of conditions of life does not get less insistent after a great deal has been granted to it. A class may feel that it is becoming poorer, though it can buy the same things as before even in greater amount, if new goods come into use but are beyond its reach. Contrast is a strong factor of poverty; and, to many ways of defining poverty, we might add the

historical one—failure to participate in the new known goods of each period. Personality is inexhaustible in its claims and capacities for new enjoyment; and industry has to make the response to this growing volume and variety of wants.

This side of the problem was very much in evidence in the first half of last century. The shadow of the population question is cast especially over the writings of Mill. Before his time, the teachings of Malthus and his followers gave rise to the view that wages would keep down to a bare level of subsistence, since population would tend to increase up to the limit allowed by the necessaries of life. Make it easier to get these necessaries, and more people would marry, and more children be born, till things were much as before. This danger would hang over society till the people learned prudence and restraint. And it is plain that to say this is to imply that economic resources could not stand just any strain from the side of demand. More people means more power to produce goods; and if the power to consume goods seemed more formidable and important at that time there must have been a distrust of the power of economic organization to adjust the two forces. The years from 1800 to 1825 were

suited to almost any doctrine of despair. No economic problem was generally understood, —it was the age of everything done wrong,— finance, currency, the Poor Law, Labour, the Factory, and the Land. The building-up periods of the second and third quarters of the century relieved this country from the amount of population as a serious danger, and we think chiefly now of its distribution in cities and on the land. Even with the growing volume and variety of wants, our economic resources are trusted to make each person worth his keep.

The growth of population means a force of increasing demands. But all these demands take us back to the land. All the goods we use are transformations of products given us at that common source. The land's fertility in materials is therefore the other force that is fundamental to industrial evolution. The demand grows, and the land must supply it. But the land does not grow; and its fertility is subject to a law which is not a law of increase.

A great part of the land area of the world, and of most countries, cannot be cultivated at all without loss; that is to say, more goods would be consumed in cultivating it than it would yield. Only under the pressure of

extreme scarcity could it be brought into use. But the physical nature of cultivated land is such that it does not of itself meet the growth of population by giving twice the product for twice the labour. The deeper a mine is worked, the more labour does each ton of ore cost. If grain crops, or industrial fibres, are grown on any land, its fertility is so far exhausted, and it will not yield another crop of the same size for the same trouble. For that, it will need the additional trouble of manuring and tending. And if every generation makes a demand for greater quantities of ore, and grain, and fibres, it will become more and more difficult to get them from the same land, or by taking in worse land. If the people of 1950 are to have their increased wants met out of the products of the land, how much harder will that land have to be worked, and how much more costly will its products be per ton! So far as land alone is concerned we would travel toward exhaustion point unless we were willing to incur higher costs. This means higher prices. And higher prices from the land mean higher prices for everything, since all materials are from the land.

Now if the evolution of industry is to mean progress in wealth and welfare, goods ought

to become more plentiful and less costly as time goes on. Somehow, therefore, the dilemma has to be got over; population has to grow, and yet we are not to have higher costs from exhausted land. Each man's work has to count for a bigger product; and this has been the history of things in the last century. More wants are met at less cost, spite of the influence of diminishing fertility at the source which supplies all wants.

The organization of industry is the reply to this problem. It stands between the two forces of population and land, and works out the means of increasing welfare. When the problem is not severe, and there are few people or few wants to maintain in a new country the organization is slight; as the two forces get stronger, and many people with many wants are living in an old country, the organization has to be stronger. All organization is the reply to the pressure of needs. What is the general plan by which our industrial organization keeps working out this problem?

III

The force which comes between the growing wants of the people and the lessening fertility of land is invention. The evolution

of industry is the history of this force. It accepts a physical fact about land and a social fact about population, and finds the way to keep peace between them. The use of the word " economy " in reference to a nation's affairs shows the nature of the work of invention. In public, as in private, affairs it means the way of making limited resources go as far as possible to meet growing wants. If the land did not tend toward exhaustion, and did not require increasing costs to keep it up to the mark, its produce of grain and fibres and ores could all be derived from quite limited areas, which went on yielding double or more than double the crop to double the work. The work of invention would then be less of the nature of economy, and more of the nature of new products and ways of working them up.

As it is, invention meets the constant pressure of the two opposite forces by two methods—discovery of resources and of processes.

In the first place, as to resources. New areas of supply are constantly being discovered. A great part of the world has still to be developed. These parts may have been neglected because they were not of the highest fertility for any crop or product, or

were very distant, or were not known. When their resources become known and available, they slacken the pressure on the old areas, and hold back the influence of increasing costs, so that we get long periods of falling instead of rising prices for greater supplies. Writers in England in the first half of last century were alarmed at the prospect of our supply of grain. They did not foresee that, under the influence of transport, the fields of America and the Argentine would be areas of supply. But, whatever else it has done, the discovery of these new resources, which are not yet developed to anything near their full capacity, brought down the cost of food and keeps it down. We are still in process of discovering the resources of many sub-tropical areas for fibres and minerals and oils. They yield for a lighter cultivation and a lower cost what the older areas were giving only at a higher cost. In this way, as the world's resources become more known and available, a growing population has its wants met in volume and variety at falling instead of rising costs.

The invention of resources does not mean only new land areas. New products are added to the stock. They do not only count in variety of wants that can be met; they

can take the place of goods already known, and slacken the pressure on the supplies of these older goods, and bring us back again to low costs. Metals, fibres, grains, ores and oils, different in form as they may be, can each take the place for many purposes of others of their kind, so that new resources for one product draw off the pressure on supplies of another. Or again, what was thought to be the waste of one product is found to be itself a useful product; we find that there were two or more products where we thought there was only one, so that their common source of supply counts now for a higher fertility than before. It supplies more wants for the same cost, or the same wants for less cost. The land area of the world will get taken up, and there is a limit to resources in the way of extent. But it is impossible to say for what now useless products there will be found a use, or what great powers may lie in articles of small bulk, so that we may get far higher fertilities from quite limited areas. If there are many products like radium our resources will not be limited because our space is limited.

The invention of processes is the second form which this force takes. The effect is here again to get the same result with a

smaller use of natural supplies, and so to save these supplies and make them go further. Suppose we have a machine which needs the labour of ten men to work it, and has to be renewed every three years. Some one invents another machine which is equally productive but only needs the labour of two men to work it, and has to be renewed every four years. Then, in the first place, we have found a way of getting on with a less amount of iron, so far as the making of these machines is concerned. In the second place, if the change is made gradually enough for the labour displaced to be absorbed elsewhere, we have eight men's labour and maintenance not needed for that machine, and added to our stock of labour with the same maintenance somewhere else. The ore supply and the food supply are both going further than before. Transport is one of the most important of the results of invention of this kind. The effect of steam and the steel rail is to carry goods about with less consumption of goods on the journey than if we did the same trade in the old way. Organization, too, is a process in which invention is constant. It bears upon the whole of technical invention, and the saving of materials and time; but it may also incur a cost to save a greater loss,

especially as regards safeguarding the resources in personal skill which technical invention displaces and puts in danger of waste by disuse.

These two forms of invention depend upon each other. Transport enables us to tap new areas of supply, and mechanical devices enable us to develop them. New supplies of ore and grain lessen the material and food costs of transport.

The tremendous complexity of industrial organization has to be reduced to its lowest terms to give us the real meaning of its building up. It is simply the thrift of growing nations in presence of adverse laws of original supply. By all this elaborate complexity we make our supplies go further, and lessen the pressure on their sources, so that increasing demands and falling costs are possible together. Less labour earns more goods this generation than last; the same labour supports more people.

IV

In early stages of industry, people are in very direct touch with the land and its products; they live on the land or near it, and each man or household applies labour

or tools to the grains and fibres that are grown on his land. The great intermediate organization of the mill has not come in, or the separation of manufacture from agriculture. This form of life still exists in Eastern countries, and only passed away in England about one hundred and twenty years ago. As long as it lasts, it stands for a lightness of organization which means only a slight pressure on the sources of supply. Either the people are few, or their wants are few, or the land is wide. It is this simplicity of economic life, and its wide distribution over the land, and the absence of the great machinery of modern industry, which make the study of early England and non-industrial nations so fascinating. There are two features of these times and places which are especially evident. In the first place, every worker sees the nature of what he is doing; he is getting products from the land and he is making them of use by industry. He sees the whole process, and the fact is plain that labour and land are for the sake of himself and others like himself who need the goods. He sees the grain become flour, and the wood from the forest become furniture, and the hide become leather, and the wool cloth,—all beside him, and all of

it a plain process of natural goods made useful to man. In other words, the common interest of all people as consumers is the evident thing. This would be evident in the manors, the gilds, and the domestic industries of this country.

In the second place, the idea is clear at these stages that the work is only for the sake of the goods made. It has no high organization by hours and employers' discipline. In the domestic system especially, every one works on the fields or at home as the occasion needs, and as is required by the varying and uncertain wants of his household. The idea of work as a thing in itself, an object of search, has not come in yet.

But in late stages, and among Western nations, the growth of the people and the pressure on supplies have changed this. When very great organizations are necessary, and every industry gets specialized into parts, each part an industry in itself—then the meaning of the whole process is not plain to the worker, for he is at too many removes from either the beginning or the end of it. In consequence of this, it is not the consumer's interest he feels; the common bond is weakened on that side, and he feels the narrower interest of the "producer" which

then emerges. He helps to make goods, which make other goods, and their relation to a final consumer is lost in the distant influences of trade; his trade organization is a special sphere, making things he may not use, but which are handed one step on by his work. It is the producer's interest which then is plainest to him; and we find the system of industry becoming actually divided into contests of producer and consumer, whose interests are regarded as opposed, though every one is at some remove consumer of every one else's work.

And at the same time, there goes with this the idea of work as an object in itself. This is a result of the indirect relation of a man's work to his own wants. He is not now making things for himself, but filling a place in a system, which somehow makes all things for all people. His work is upon materials not related to what he consumes himself; it is a thing by itself, not related to his ends and wants. But it is the means to his being able to obtain the goods he does want; and it stands out as a thing to seek for and get, a step toward being able to buy his own goods, but quite separate from his own goods. When people stopped grinding their own flour, and made rivets in order to be able to buy flour,

their occupations became a thing quite separate from their wants, but had to be sought for just as if they were the wants themselves.

Thus when we get to the times of very great organization, and it is more difficult to see the nature of the whole economy of industry, the trade of each worker becomes a thing in the first place apart from his own wants, but the only way to get his own wants, and therefore work is itself an end; and apart, too, from other people's wants, which are too remotely concerned, so that many different producers' interests come in instead of the common consumers' interest that is obvious at earlier times.

V

Each stage in the life of the people is accompanied by a form of industry which fits that stage. The social life of this country was at one time limited to the village; then came the days of the town, supported by a rural life around it; then the rural life became more considerable again, till finally the city sucked it into itself. The village and the town attempted to keep themselves self-sufficient, and free from the outside influences of other places; the laws of settlement, the feudal customs, and the gild regulations,

made the villages and towns almost foreign to each other, so that our early social life was intensely local, and the idea of the nation, and the feeling of national unity, came at a late stage. Corresponding to these forms of life, we have systems of industry at first of small power, because their ideas and markets were local; then of higher power, as the market became a bigger thing. We have household industry in the village, the members of the family making for their own needs; handicraft in the town, since the trade was confined to the town; the factory in the city, both causing and being created by the wider national economy and market. The passage from one to another of these forms of life and work is both caused by the growth of the people, and helps to make a faster growth possible; they are stages in economy, in national thrift in resources of labour, as the people press more on the sources of supply; and since wants are made easier to satisfy at each stage, the demand for more goods, and more various goods, makes the further stages of economy and organization necessary.

We have seen that the root idea of the evolution of industry is invention, standing between the people and the land. And the transition from one stage of life and form of

industry to another is due to one of the main features of invention of all kinds. The full use of an invention, in technical skill, or mechanical appliances, or organization, cannot be got by limited circles of people. It bursts these local barriers, and compels trade to spill over from place to place, until the greatest of modern inventions in machinery and industrial government can have their full scope only when the market is the world. That is to say, a local body of people cannot have the full advantage of industrial progress unless they share it with wider bodies of people.

In household industry, some one becomes skilled in making shoes or furniture, and finds that the household does not use up his skill; it is not worth his becoming expert unless he works for other households too. So that work for wages for those outside the family is the condition of his giving skilled work to the family. Local "trades" develop in this way. In the town and gild economy of the middle ages, it becomes more and more difficult to shut the trader up in the town market; regulations have to be made for strangers and trade between towns, for the merchant and the craftsman have no scope for higher skill unless a wider market gives

them an outlet. Skill is specialization; it is not worth limiting oneself to one function unless there is a wide enough demand for its constant use. The cottager under the domestic system sells to the travelling agent who is in touch with a large central market; and he finds room for special skill as a weaver, skill which would not be fully occupied, and would not be carried so far, for a local market. In the factory system of the cities, the citizens can get the products of their own mills cheap because the national market is open, and makes it worth while to have the highest specialization in industrial skill. Trade bursts local barriers, because industry is the history of invention responding to the pressure of wants, and because a locality cannot get the use of inventions unless it shares them. Legal restrictions and customs try in vain to stand against this fundamental current of economic force. The household for the household, the village for the village, the town for the town, are local ideals which go down before invention, which does not stop at the nation for the nation, but breaks down that restriction too, and mercantilism fails to hold its ground against the idea of the world-market. England could not sell textiles cheaply if she sold only at home.

VI

Invention does not work out its effects simply because a new appliance, or a new development of skill or organization, will satisfy wider demands and extend national resources. Industry is not guided in its advance by any kind of national Board which perceives how the pressure of wants will be better met by these changes. The personal competition of individuals is the outward and obvious side of this force. The inventor sees that a new way of doing things will give a wider market and a greater gain to himself; and he sees, too, that the wider market is necessary if his suggestion is to have full play in practice. The consumers' interest is not the conscious side of invention; but it is only through the consumers' interest that the inventor gets his own profit. Invention is the force underlying economic evolution, whether it be in appliances or systems or organization: but people are not usually conscious of the real forces under whose influence they work. We have seen that, in later stages of industry particularly, the "producers' interest" rises up because of the specialization of Labour, which prevents the worker at one special process from seeing

the whole nature of the productive process in its relation to wants and supplies. Invention works itself out by personal conflicts and producers' interests; that is its conscious side. It is the energy of persons working for profit, and estimating the chances of more profit by wider markets and lower costs, which has broken up local markets and given the widest scope to invention. The conscious aim has not been that of national thrift of resources; but that has been its historical meaning, and the basis of the success of invention in making economic changes.

VII

It is the *nature* of invention to create surpluses. An invention means that the same results are got with less outlay of resources. Either more sources of *supply* are found, or the existing supplies go further, so that in either case there is a surplus for new use. Or else there is a surplus of *effort*, less work being needed to get the supplies and make them available. And quite usually there are both kinds of surpluses at once, so that more supplies are got for less effort. If we look at this effect over a long time, the result is that we have saved some materials which

can be used for a new purpose, and also saved some labour to work them up with. We have got the materials and the work saved for a new industry, or a new branch of industry. But these surpluses do not fit into each other at once. The materials that are saved by an invention may be in America, and the labour saved may be in an English mill. And even if the spare materials and the spare labour occur near each other, that may not be the right place for the new industry; and, if it were, even then the spare labour of one industry cannot be applied to a new occupation in the times of great specialization. It is in the nature and definition of invention, and therefore of economic evolution, to produce this result.

But, to return to the fundamental idea of this chapter, the whole device of invention is that it aims at making the resources of the land available as goods for the people of growing nations. And we have seen that, as things get complex, the individual can get the goods which he does want only by having a producers' interest in things which he does not directly want. His position as a worker *stands for* the things which he wants out of the common stock. It becomes a thing sought for in itself—employment. And this

is especially the case in the late and highly-developed stages of industry, where specialized work loses sight of the meaning of the whole process, and sees simply the necessity of a place in the system. But it is in these specialized times, when work has become an end, that invention makes surplus labour most difficult to fit into the new development of work. And therefore in these times the personal idea in the evolution of industry, the idea that it is all meant for the maintenance of persons out of national resources, has to be restored by an alliance of industrial with social influences. The transitions and changes which invention creates for short times have caused a necessary fusion of industrial and social evolution.

CHAPTER II

THE RECENT INDUSTRIAL CHANGES

I

No period of industrial history shows more clearly the influence of great inventions, both upon industrial and social life, than the nineteenth century in England. This period is separated from former periods of history by a change so great that it usually has been described as a revolution; and this is more true of England than of any other great industrial nation. The history of modern industrialism is everywhere a question of the nineteenth century, but England entered upon this period when she was already, in the economic sense, an old country. Changes in the life and work of the English people stand out, therefore, in stronger contrast because we can always compare them with a form of life which was superseded when the century began. It is true, for example, of America, that she also has passed in this century through

economic changes which have given her at this time a system of factory production and of city life that is very like our own. But America was economically a new country when the century began; she had not to supersede such ancient customs and institutions as the manor and the gild; she began with a clean sheet, and if there is no industrial revolution in American history, as there is in our own, that is because of the clear start which America made after her political revolution. England has both gained and lost by this fact that she was already an old economic country in 1800. She has gained because her national life was already settled in towns and villages all over the country, so that one of the great developments of the nineteenth century, the development of transport, has been a far more steady and less speculative thing than in the United States. The centres which were to be joined together by the railroad already existed and were connected with each other, while in America much of her industrial problem has been due to the fact that her enormous area has had practically to be colonized, and her transport system pushed out westward—not to join up centres already existing, but on the chance that centres would come into existence. Again, England has gained in this

way because an old country has already settled down to political usages and customs which dispense with the need for a written political constitution, and English industrialism and finance have had greater freedom of movement because no precise rules had to be definitely framed for the whole national life, such as exist in the American constitution. As an example of this, America has not been able to levy direct taxation, or relieve the burden of her fiscal system of taxation of goods by any steps such as were taken in England since 1842 ; her constitution has placed definite restrictions upon fiscal policy such that an income tax is practically impossible there, and there is always a strong prejudice against amendment of a national charter of this kind.

But in some ways England has lost as compared with America by having begun the nineteenth century as an old country. Her land, for example, was already alienated to private owners. Outlets which have helped to relieve the strain of city life and industrialism in America have not existed in the same measure in England, and on more than one occasion this national asset of the land has enabled the American States and the federal government to reduce the weight of their debt

by sales and concessions of lands to railways and private owners; and, if we compare the development of English with American transport, the cost of providing this great nervous basis of our industrial system has necessarily been far greater (indeed, four times as great per mile) in a country where land was already taken up.

The industrial revolution in England, then, clearly separates an old from a new kind of national life. The stratification of the people of a country depends chiefly upon its forms and divisions of labour. Social life, in that way, is a creation of the industrial system. Great contrasts can therefore be drawn between the social life of England in the seventeenth as compared with the nineteenth century, but in describing the change which took place at the end of the eighteenth century as a revolution it is not meant that a sudden transformation took place. In order to perceive the justice of this term one has almost to compare dates half a century apart. Comparison of that kind will show that in habits of life, in the distribution of life, in the mechanical appliances of industry and in the cultivation of the land a transformation had taken place. The industrial community as it had developed by 1840 was "a new form

of human settlement," with new personal relationships and aptitudes and ideals, but there was no revolution if we look at the stages of growth which were necessary to the change. The great inventions of the last thirty years of the eighteenth century had been prepared for by many previous attempts in the same direction. There was only, about the year 1780, a degree of achievement which gave a definite economic value to these discoveries, and not only this, but they were also advanced to a stage such that each now stood in a relation to the others which made it possible for them to work together in developing the factory and the machine. The discovery of a new way of smelting iron by the use of pit coal made the great machine possible; the same discovery of coal ensured that the machine could be economically worked, and when the patenting of the steam engine took place the motor power, which brought together the machine and the supplies of fuel to drive it, took its place in the system. Technical inventions in the machine itself, devices in building it, in making it more precise and more powerful, could then be better worked out.

Again, the idea of a revolution must take account of the slowness with which these new powers were applied to industry. The first

attempts to use them failed; it took one or two decades for the power loom to gain the ascendency over the hand loom. The detachment of the people from the land went on by the gradual forms of Enclosure, but not until the end of the French War did the distress of the yeoman decide for the city as against the land. Modern industry and the great city had fastened their grip upon national life by 1825, so that just as the creative process, which came to a decisive point about 1780, was a slow process, so also was the building up of the new system which the inventions made possible. Without doubt it was the perfecting of inventions within a quite short space of time which made everything else possible, and our attention has specially been drawn to these years of decisive achievement more than to the long stages of preparation which led up to it.

It must be remembered, too, that factory life, great as was its extension at the beginning of the nineteenth century, was a thing which had gradually grown up alongside of the domestic system of industry. The first great factories we hear of are in the beginning of the sixteenth century, and one of the lines of English development, though it is not a broad line, is that of what may be called the early

or pre-revolution factories. What the great inventions did for the factory was to change the relation of hand work to mechanical assistance. The tool and the machine tool are under the government of the hand. It is the worker who supplies the force and the tool which obeys, but after the great inventions the position of the worker in the modern factory came to be that of assisting the machine rather than that of supplying the energy to the hand or machine tool. There were factories before the inventions of Watt and Crompton and Cort, but the "Factory System" of the nineteenth century implies specially a subordination of the worker to the machine, which justifies us, if we look at the change over a long period, in speaking of the effect as a revolution.

Again it must be remembered that many of the old industries and occupations have never been entirely taken out of our industrial system. Handicraft was superseded by the great inventions, and domestic industry ceased to be the usual life of the people, but there is still handicraft in England and there is more than one district in England where domestic industry is still a usual form of manufacture. The villages round Birmingham still maintain this kind of industry for the manufacture of

numerous small hardware goods, and there are still in England villages which keep the old system of open-field cultivation which went with domestic industry. These old forms have not died out, but they have lost their importance in the national life. They fill up the gaps and fringes of the new system. The emphasis of modern industrialism is upon the factory. Some of its problems are due to the tenacity of handicraft and domestic work in their attempt to hold their own against the mill.

Our question is not so much to trace each step in this change as to find its meaning and tendency. What have the great inventions, when we look at their operation over the last hundred years, stood for ? Can we bring the industrial history of the nineteenth century into one point of view which will enable us to explain each side of its evolution by one phrase or formula ? Does the nineteenth century represent the evolution of an economic idea ? Although there is always some danger in seeking to unify too much, yet it is possible to show that the century does have a single great tendency which works itself out on every side of national life.

The fundamental idea of the nineteenth century is power. All our national economy

has worked under this ideal. The growth of the people, and the pressure on our economic resources and our political strength, have caused us to aim at power above any other result in economic and political organization. It is because this idea has so fully dominated our progress that we find so much fascination in the study of earlier centuries. There is in the life of the fifteenth and sixteenth centuries a lightness of organization and a distribution of national life which has led several writers to hold that the nation has lost rather than gained by its great economic changes. A less pressure of people on the land, a less development of wants, especially in variety, caused an ease of life which such writers compare, to its credit, with modern concentration and strain. There is, of course, a danger in comparison of this sort of reading into this system of life wants and aspirations which have only been made possible by modern industry. Early England was happy with the happiness of unborn wants, and later England has become restless just because of the knowledge of new goods and new possibilities of life which were not in the view of the inhabitants of the manor or the town. No doubt there are aspects both of industrial power and of the means of extending it which bear more

heavily upon persons and the personal factor, but if earlier centuries have by contrast the fascination of a lighter pressure and a freer life, the nineteenth century also presents us with the no less fascinating study of how the gigantic machinery of the city, the mill, the transport and banking systems of the world have replied to and met the demands for goods, so that no age knows more than our own of the possibilities which lie in the world's resources to satisfy more and more complete ideas of personality.

The method by which the ideal of power has been obtained has been combination. This is the decisive stamp of the nineteenth century. Whichever thread of national history we trace we find that tendencies are in this direction. Any one writing of labour in 1800 would have treated the individual workman as the unit he had to study. He would have regarded the rate of wages as depending on the free and independent bargaining of the individual for work. But during the century the study of labour is a study of the free union of groups of workmen into larger and larger groups, so that both bargaining and competition depend upon not individual forces, but associated forces. On the side of land, the century has seen the cultivator of small strips and

patches giving way to the large farmer, while the small freeholder has lost ground to the great estate. Concentration in regard to the land has proceeded to a higher point than in regard to either labour or capital. Or if, in the third place, we take the history of capitalism in the century we see how the cottage worker and the craftsman have fallen into a position of small importance, while the main lines of development have been from the Partnership to the Joint Stock Company and finally to the Trust. The financial side of our history is a record of the same kind. At the beginning of the nineteenth century we obtained our revenue from the taxation of some fifteen hundred articles, but each of the great steps forward has meant that we have thrown the weight of our revenue upon fewer goods and sources of supply. We have reduced the tariff from fifteen hundred to about twenty articles, and the powerfulness of English finance is that all the structure depends upon a few very strong pillars. English banking, too, has concentrated our resources in both gold and credit to an astonishing degree in one place—the Bank of England. If we look even at the form which the life of the English people has taken, the great fact is the massing of the population to the large towns and cities,

and the gaining of economic skill for the full use of mechanical inventions, by aggregation of labour. This growth in the size of the unit is the characteristic economic fact. In England the forces which have created these developments are probably more powerful than anywhere else.

It has been said that "you cannot accuse a nation," and when forces have persisted throughout a hundred years, it is perhaps true to add that you cannot accuse a century either. The city life of a people working and competing and bargaining by the group is now to be definitely accepted, as the method of use of the inventions of 1780 and their successors.

This tendency towards combination is generally believed to have been for good. The only case in which exception has been taken is in regard to the land, where at the end of the century there is a movement to break up the great estate and restore the small holder. On the other sides of national life, even on the side of capital, the fact of combination is taken as, at any rate, a stage through which our modern system had to pass. Whether the future of combination be a further development into national organization, or whether new inventions as regards the motive power of industry or its organization give us a

movement back towards a more divided and distributed way of working—at any rate, the combination movement of the nineteenth century has played a part in the regulation of competition and the organization of trade which was quite necessary for the proper development of the national market and the commerce of the world.

It is not to be supposed that this movement has been of the nature of an economic law. We can see no reason for the coincidence that each side of national life has taken the same line of change. Trade Unions, for example, did not cause Trusts, nor vice versa; neither of them caused the great estates on the land. The combination movement is to be regarded as only the most true or the least untrue single statement of fact in which we can sum things up during this period. By different steps and different forms of influence, and against different degrees and motives of opposition, things happen to have moved that way.

It is to be remembered, too, that within all these forms of combination there has taken place a great and always increasing amount of specialization. Although an industry comes to be a larger unit, within that industry an increasing number of parts or functions or activities develops. The division of labour

or specialization of work in each trade or industry comes on along with the combining of the trade into a larger whole. We can say, therefore, that the nineteenth century stands for the idea of economic power realized through combination and carrying with it an always greater degree of specialization of work.

The history of thought on economic and social affairs has taken the same line of development as these affairs themselves. We see throughout the century a gradual change from the ideal of what is called Individualism towards the ideals which are regarded as social or socialist. In order to perceive some of the stages of this movement we may take, for example, the attitude of great teachers at the beginning and in the middle and at the close of the century.

The attitude of the nation towards industrial affairs was at first one of non-interference or laisser-faire. Partly this was due to mere conservatism, but partly also to the great influence of the teaching of Adam Smith and his followers. He is still regarded as the typical exponent of the rights of free competition, and it is true that his *Wealth of Nations* stands for the ideal of economic freedom so far as any one ideal can be attri-

buted to it. And indeed Smith did not put forward this ideal merely as a matter of economic advantage. Behind the teaching of the *Wealth of Nations* is the teaching of his less-known work on the Moral Sentiments. Smith was not only an economist, he was a great ethical teacher and writer, and we have to go back to his book on moral philosophy in order to understand much of what was in his mind when he was explaining his "Natural System" of free competition in economic life. He was a moral philosopher, and he belonged, too, to the Scottish School of moral teaching. His ideas of the basis of society, and therefore of industry, carry us back through moral philosophy to religious ideals which are found in many of the writers of that school.

As an example of this we may take from his *Moral Sentiments* a remarkable argument by which he seeks to justify an unequal distribution of wealth on the ground that the rich are prevented by social forces from keeping for themselves the wealth which they possess. "The produce of the soil," he says, "maintains at all times merely that number of inhabitants which it is capable of maintaining. The rich only select from the heap what is most precious and agreeable. They consume little more than the poor, and in

spite of their natural selfishness and rapacity, though they mean only their own conveniency, though the sole end which they propose from the labours of all the thousands whom they employ be the gratification of their own vast and insatiable desires, they divide with the poor the produce of all their improvements. They are led by an invisible hand to make nearly the same distribution of the necessaries of life which would have been made had the earth been divided into equal portions among all its inhabitants, and thus, without intending it, without knowing it, they advance the interest of the society and offer means for the multiplication of the species. When Providence divided the earth among a few lordly masters it neither forgot nor abandoned those who seem to have been left out in the partition. These last also enjoy their share of all that it produces." Passages of this sort, in which an appeal is made to the "Invisible Hand" as the basis of the social system, occurred often in Smith's *Moral Sentiments*, and we see this same idea, and indeed the same phrase, appearing in his endeavour to justify the economic side of life in his other book. "Every individual," he says in a classic passage of the *Wealth of Nations*, "is continually exerting himself to find out the most

advantageous employment for whatever capital he may command. It is his own advantage indeed, and not that of the society, which he has in view, but the study of his own advantage naturally, or rather necessarily, leads him to prefer that employment which is most advantageous to the society." And on the next page it is clear what he means by "naturally, or rather necessarily"; for, he continues, "the individual neither intends to promote the public interest nor knows how much he is promoting it by directing industry in such a manner as its produce may be of the greatest value, but intends only his own gain, and he is in this, as in many other cases, led by an invisible hand to promote an end which was no part of his intention." Smith's devotion to the ideal of economic freedom was not, therefore, based purely on notions of material advantage when he said that freedom from restraint was the natural order of things. He meant that there was a basis for society in both its economic and its other aspects which lay beneath the efforts of individuals, and was the guarantee of order among the multitude of individual interests. But all Smith's followers did not take the same religious view of society as he did, and therefore the idea of free competition came to

stand alone as a merely economic idea of material advantage.

It must be remembered, too, that Smith could only apply his idea of freedom to the kind of industry amid which he lived. He died before the great industrial changes had taken place. In his day it was the individual who was in fact the unit in industrial affairs. In asking for the freedom from restraint of the individual he was only asking for freedom from restraint; there was only the individual workman or employer to whom his doctrine could apply, because the great industrial changes had not taken place. The main kind of economic freedom then was the freedom to remain independent, and to fight one's own battle whether as workman or as employer; but the idea of laisser-faire, if we are to apply it to the changed conditions of the nineteenth century, would have to mean the freedom of the individual to combine not less than his freedom to compete. The economic unit has changed, and the true restraint upon individual freedom in the nineteenth century would be that which kept a worker from joining a Trade Union or an investor from joining a Joint Stock Company or a Company from joining a Trust. The meaning of laisser-faire has changed because the economic structure

to which it applies has changed. In Smith's time, and at the beginning of the century among his followers, free competition and the natural system meant the free competition of individuals and their independence of each other, and could not, at that date, mean anything else.

Much of the resistance to economic change which took place in the early part of the century was due to the application of Smith's ideas of freedom when circumstances were changed. The city and the factory and the gradual grouping of persons in the economic system called for a new kind of freedom, the freedom to combine, but the manner in which Smith's opinions were understood at the time led to a long opposition to workers' combination and any intervention of the law for the protection of industry. It is in the light of the influence of Smith's teaching that we must read the slow story of factory legislation and of Trade Unionism.

By the middle of the century the opinion of great social teachers had altered, as the times had altered. John Mill believed himself to be simply the expositor of the traditional political economy of Smith and his followers, but it is in the work of Mill especially that we see how social ideals had come to pervade

economic teaching, under the influence of economic change itself. Mill was also a great moral philosopher, but did not have the religious assumptions of Adam Smith. His social inspiration was drawn partly from the teaching of French communists, and partly from his own attitude towards ethical ideals. To the study of the bigger economic unit which he found around him he brought the broader spirit; even although his ethical teaching did not rise above the utilitarian idea, yet his utilitarianism was not based finally on a mere calculation of pleasures and pains, but upon what he called the "ultimate sanction—the benevolent feelings of mankind." The economic teaching of Mill gave the impulse, too, to a great body of writers and teachers who followed him. Carlyle and Ruskin and the Christian socialists carried the combination idea out of the study among the people, so that from the year 1850 onwards the strongest current of economic teaching in this country was based on social ideas and on the spirit of association.

And again, at the end of the nineteenth century, it is not only the idea of association which has become dominant, but ideas which are more rightly called collectivist. The speculation of the time is round the problem

how far or how much further the method of industrial grouping and the aspirations of associated life can be carried. While at the beginning of the century the problem was to find a hearing for the advocates of combination, at the end of it the problem of legislators and of teachers is to guide the movement. And thus while laisser-faire in 1800 could only mean—Leave the individual free to compete for his own hand; and while in the middle of the century its meaning was changed so that it would read—Leave the association of workers or employers free to develop association; at the end of the century the very same phrase is applied to the State itself, and means—Let the State be free also; if there is industrial work which the State can and ought to do, let the State do it.

II

We have seen that the growth of Western civilization has been towards a greater degree of combination, and also a greater degree of specialized work. Labour and Capital are both grouped in larger units for purposes of government; but within these units there is

great subdivision and specialization of parts and functions. The result of this, as is well known, has been, especially on the side of labour, the creation of many grades or strata or classes of the people—grades which depend upon the nature of their occupation. As the specialization which is necessary for the most efficient work gets greater we find within the group of workers, which forms an industry, many sub-groups so separated from each other that it is not easy for the individual to pass from one form of labour to another. Many problems arise out of this kind of specialization. We see these problems in times of trade depression, or at the time when a new mechanical invention is applied to trade. The individual who is displaced cannot readily take up work of the same grade, so far as standards of payment are concerned, and it is not only as between different groups of the working classes that this specialization holds good. There is also the line which separates the manual worker from the supervisor, or that which separates the best grade of supervisor from the capitalist investor. In each great industry we see these lines. The greatness of industry itself has created them, because high specialization is an economy of working, and it is in the great industry that much

variety of specialized work is possible. The nineteenth century, therefore, in working out the idea of power by means of combination, has stratified and classified the people to an enormous extent. Within the grip of the large unit it offers us, as our industrial type, the big unit whose parts are of great variety and highly specialized for particular functions.

Now growth of this kind is usually described as organic growth. As we proceed from lower to higher forms of life we find a greater degree of unity, accompanied by great subdivision and variety of parts and functions. A high organism develops from a low organism by the fact that its life is gathered together at one great nerve centre, and that its structure has ceased to be all of the same form but has been developed into the special organs of special senses and activities; so that an industrial growth which has given greater unity in our economic life, and has also subdivided and specialized industrial activity within each new unit seems to correspond to the methods of organic growth, which give highly unified life with great variety and specialization of parts.

As soon, however, as we say that recent industrial growth has been organic we seem

to justify its results. There is about the word "organic" a suggestion of approval, and if we were content to have economic evolution taken as an organic evolution we could scarcely help giving a silent approval to the industrial classification of the people which now exists. But it is well known that this extreme specialization is just one of those aspects of modern society against which complaint is often made, and it would not do to evade serious economic problems by so simple a means as the use of the name of organism and all that organism implies. We must therefore ask whether this development has really been organic in the sense in which that term implies approval of its results.

It is not enough for the complete idea of an organism that there should be unity and centralization of life, together with great specialization of parts and functions. There can be an inorganic specialization. We must admit that modern industrialism possesses in a high degree two features of organic growth. It has that high degree of unity of what may be called the nervous life of industry—the centralization of its government, the sensitiveness with which each part responds to influences from other parts of the structure,

its great interdependence and complexity. And again it does without doubt possess, within this interdependent unity, a great variety of activity, which is also found in the different parts of an organic and living body.

But one thing more is needful to the full idea of organic life, and that is circulation. An organism does not satisfy our ideals until we know that it has, not merely parts held together at a common centre, but that common life which is given by the processes of circulation. The same principle of life moves from part to part, and industry, too, must show that it has this quality to a high, or at any rate a considerable, degree before we allow that it is really an organic life. Now it is plain that it is just on this ground that economic evolution fails to correspond with organic evolution. We do not have in a high degree freedom of movement from part to part of the industrial system. There is still a serious degree of class specialization and social stratification of the people. The labour, which is the life of the economic organism, as the blood is the life of the biological organism, has not the means of free circulation which would justify us in saying that there was a real organic

principle in nineteenth-century economic development.

It is no doubt true that these much-specialized grades of labour are always being displaced by machinery. When the work of an artisan becomes specialized to such a high degree that he is carrying out a single process over and over again, a machine is soon invented to do it instead. It is the highly specialized man who is principally threatened by mechanical invention, and in some industries it is possible that the use of machinery has rendered the power of the workman to move from occupation to occupation greater. It is probably true that a workman who has learnt the use of one machine can pick up the use of another machine more easily than he could pick up a change of purely manual occupation. But at the same time it is true also that the tending of machinery does itself become highly specialized. It is specialized at least to such a degree as still renders movement from one occupation to another occupation of the same grade, though of some different kind, very difficult. And it must not be forgotten that the problem of specialization of work affects not only movement on the same level from one occupation to another, but movement from one level of the industrial

system to a higher level by any workman who is competent to rise. Even if machinery has done something to increase the circulation of labour in the social organism, there is without doubt still a degree of classification which keeps the industrial system below the full idea of a really organic structure.

We have, in fact, to be careful in applying to our industrial system a metaphor of this kind. After all an organism is a single unit of life, made up of parts which are not themselves lives, but industry is a system made up of many individual lives, but it itself is not a life of the same degree of completeness, and it is better, therefore, not only to point out the ways in which industry resembles an organic growth—its great specialization, its high unification, and its great nervous interconnection—but also to point out how, in respect of the vital principle of circulation, industry does not show, as yet, a great degree of likeness to what is, in the full sense, organic life. This failure is due, as we shall see, to the lateness of educational as compared with industrial development during the nineteenth century, for the power of labour to move freely from rank to rank of the industrial system depends upon educational change in two ways. In the first place, it depends upon the mere technical

ability by which the workman is made competent to rise to a higher grade or to adapt himself to a changed but allied occupation, and in the second place, educational opportunity lays the basis of industrial aspiration itself.

CHAPTER III

THE STAGES OF RECENT PROGRESS

I

THE industrial movement whose general economic nature is a movement towards combination, as reflected in the progress of social teaching, has always been in close relation to the development of legal protection and control. The history of the law of the land as it bears on the evolution of industry is one which has not, during most of last century, been guided by any accepted principles of social reform, but has moved from step to step by the force of circumstance. It is therefore difficult to bring the history of the law in this respect into general points of view by which distinct stages could be marked off. But it is roughly possible to find periods of which we can say, looking back on them, that at any rate their results represent stages by which we can trace an evolution.

A simple division would almost enable us to take the first half of the century as a period

prior to what would now be regarded as adequate control or real emancipation of the people, and the first half of the century would also roughly coincide with the time which includes either the spirit of conservatism, which held good at the beginning of it, or the spirit of individualist laisser-faire which lasted until the time of Mill. Here, for instance, is a statement which it was still possible to make close on 1850: "National politics, industrial progress, social growths and social neglects of various kinds had been allowed to take their own course. There was no provision for education, no check to speak of on life-destroying labour, no true recognition of that in man which struggles upwards and lifts him out of the crude condition. Men had opened their eyes and had seen their corruption, their degradation, their rapidly approaching moral death." Or, again, Carlyle himself, writing in his *Past and Present*, in 1843, had declared that "this largest of questions, this question of work and wages, which ought, had we heeded heaven's voice, to have begun a generation ago or more, cannot be delayed longer without hearing earth's voice. How much ought to cease among us straightway; how much ought to begin straightway, while hours yet are."

Throughout John Mill's book we find many gloomy reflections on the condition of the working classes under the need of a thorough system which would, in his own words, " put an end to poverty for a generation " as the beginning of an adequate remedy. So that in the middle of our period the attitude of those who wrote on working-class questions was one of great pessimism and despair, and most of them were only able to perceive the beginning of the new spirit of association to which, in one form or other, they attached their hopes for the future.

But a clearer view of the origin of this trouble can be obtained if we make a further division of these fifty years. We shall see in that way how the condition of the people, which roused these feelings in 1850, was the fruit of a time whose effects were weakened in the middle of the century but had not passed away. If we take the first quarter of the nineteenth century by itself, we get a picture of industry in relation to law and opinion which is far more dismal than that which is seen in these later writers, and the second twenty-five years will show the beginning of movements of reform which had only been enough by 1850 to awaken opinion to the vastness of the problems.

We can also complete this broad view of the century by considering the second fifty years in two periods, which carry the movement of 1850 forward by separate steps.

The first quarter of the nineteenth century has already been described as a period of everything done wrong. So far as there were definite policies affecting industry they were either based on a protectionist conservatism or on an unconscious application of the teachings of Smith and his school, and so far as affected many sides of the life of the people there was a want of definite policy and an ignorance of economic causation, whose results were of the most disastrous kind.

At the opening of the century the standard of wages could be maintained in one of two ways. The Justices of the Peace could, if appealed to, fix fair rates for certain trades, or the apprenticeship regulations, which still held good, could govern the supply of labour to skilled trades, and so maintain the standard. Much use had been made during the eighteenth century of both these means, but the power of the Justices was taken away in 1813 and the apprenticeship condition in 1814, labour being thus left without any measure of legal protection at all. This would have mattered less if, at the same time, the right of

self-help had been granted, but the unconscious individualism which appears in the repeal of the legal means of protection shows itself also in the law of 1799 forbidding combinations of workmen for any purpose whatever. The working classes were thus thrown into a system of promiscuous individual competition, whose effects were quite clearly realized in the teaching of Ricardo as to the tendency of wages to fall towards a level of physical subsistence. The "iron law" of wages was both the teaching of the time and the only possible effect of the legal system. At this time, too, it was, of course, impossible for the working classes to obtain redress by their own direct power over Parliament, and the result of the individualism which was forced upon people in the competition for wages appears in an appalling amount of employment of women and children in the rising mills and factories of the great cities. Again, the social circumstances surrounding such competition were also without regulation and control. No factory laws worth speaking of held good during this period. There is, perhaps, no more remarkable indication of the spirit of the time than is shown by the fact that only after twenty-five years of agitation were the hours of a

child of nine in a factory limited to sixty-nine a week by the law of 1825, and no revelations at a later stage startled the nation or touched its conscience more fully than those regarding the employment of children. Even the Poor Law children, to whom the State was foster parent, were thrown into the field of employment with practically no knowledge or care of the treatment they received from the employers to whom they were sent in gangs for hire. It must be remembered, too, that the city had grown before the nature of city life and its problems were at all realized, and it was not until 1835 that any corporate control existed over the conditions of life as distinct from labour. The nation had forgotten to live in the country long before it had learnt to live in the city.

It is significant of the condition of public life at this time that the Statute Book contained no general law of sanitary supervision. Even in those towns which had obtained private Improvement Acts, health was not one of the main purposes of these Acts. Up to the beginning of the reign of the factory practically no intelligent public interest existed in this question. Disease was simply taken as an evil which accompanied growth of city life. It required the example of the

cholera epidemic of 1831 to 1833 to stir up public attention; and the Poor Law Commissioners thereafter took up the question of health and the prevention of disease in relation to pauperism. In the beginning of the Forties startling reports were issued on the sanitary condition of the labouring classes in towns, and the first inquiries of a public kind into this question are those of the Committee of the House of Commons of 1840, and the Royal Commission of 1843, but we had to wait until 1848 for any general public provision for health in its most elementary aspects—the cleansing and the draining of cities. The first medical officer of health was appointed in 1847. The condition of the people in the cities during the first quarter of the century may be inferred from facts of this kind.

The financial measures which were in force during this period also bore with great severity upon the people. There was, for most of the time, a misunderstanding as to the regulation of the money system, which has given the period the name of the "Dark Age of Currency." The high prices which prevailed were due in part to the depreciation of the standard of currency, which was the effect of the policy of the Bank of England. Taxation was carried on on the basis that every commodity

and every process and transaction upon which a tax could be laid was to be taxed. The system was not only complicated and wasteful, but it meant that the charges for the revenue were laid not upon wealth which had been accumulated already, but upon the processes by which wealth and savings are created, so that the people's low wages were made still lower when account was taken of the prices of goods of all kinds, whether necessaries or not, whether directly used by the people or indirectly.

There were no less than fifteen hundred articles in our tariff in 1800. The import of some articles of food was entirely prohibited. Aided by the "colonial system" and the Navigation Laws, mercantilism was still keeping a strong hold upon the foreign commerce which might have helped to reduce prices at home.

The most important and almost the most severe of the influences of taxation on the working classes was that which was due to the Corn Laws. England began to have a balance of imports over exports of wheat just before the beginning of the war with France, but it was part of the policy of the time to protect the agricultural interest in the hope of making this country self-sufficient as regards its food supply. Even up to a

late stage in the nineteenth century great economists held the view that a nation like England could not expect to derive adequate supplies from abroad. Malthus based many of his gloomy predictions on this assumption, that the growing population would exceed the power of the land to satisfy their wants, and even Porter, who is our chief authority for the first half of the century, did not foresee the great changes in transport and discovery of foreign resources which afterwards took place. He thought that only an "inconsiderable state," and never a numerous people, could safely lean on food supplies. The agricultural interest was at this time, of course, in a specially close relation to political power, and the city population had to pay a severe price for the high protection which, on either national or private grounds, was given to agriculture. An estimate of the effect of the Corn Laws may be got from the fact that the quarter of wheat which now stands at about 30*s.* reached, on five occasions in the first twenty years of the century, an annual average of over 100*s.* During the first ten years it averaged 84*s.* 8*d.*, during the next ten years 91*s.* 5*d.*; and the policy of the Corn Law of 1815, which may be taken as typical, was that of prohibiting the sale of foreign grain in this country until

the price stood at 80*s*. at least. In view of the position of wages in this period, prices of this kind could only mean intense privation and the denial to the working classes of anything more than the bare necessaries of life.

In another branch of national finance, the administration of the debt of the country, there was also a misunderstanding of economic causation, which added to the burden which the country was carrying. It was the policy of Mr. Pitt, before the war began, to lay aside each year a fund which should be applied to buying up the National Debt, which stood then at about 240 millions. His plan worked well for a few years before the war broke out, but such a plan is of no use when the revenue of the country fails to come up to its expenditure. No financial ingenuity can bring it about in such circumstances that the debt of a nation is being reduced. But the successors of Pitt endeavoured to continue his Sinking Fund during the war. Since the expenditure of the nation was greater than its revenue, the money required for the Sinking Fund had, of course, to be borrowed. In spite of many criticisms of this system, the Sinking Fund was continued. If it had been possible to incur a new debt of a million for every million

which was paid to the Sinking Fund no harm would have been done, although the process would have been useless towards debt reduction, but, in fact, the times were so difficult that in order to obtain the money required for the Sinking Fund new money had to be borrowed on very disadvantageous terms. It was not unusual for the Government in borrowing at this time to create a debt for nearly double the amount which it obtained. Thus in 1798, 14½ millions were borrowed, but the new debt created by doing so was 28 millions. In 1806, 22½ millions were borrowed, the terms being that for every £100 lent to the Government the lender received stock of the value of £172, so that the new debt created was 38½ millions. The result was that the debt was actually being increased by the system which maintained the pretence of always giving a certain sum to debt reduction; and between the beginning and end of the war the Exchequer had borrowed already 566 millions by creating debt to the extent of 881 millions, upon which 30 millions per annum of interest had to be paid. The burden of finance of this kind bore upon the people through its effect in maintaining the system of taxation.

One effect of the Corn Laws was, of course, to

bring large areas of land into better cultivation at home, and in fact the area of cultivated land which was enclosed at this time amounted to several million acres. It might seem that the extension of agriculture in this way would give an outlet to city population, and that this would help to keep up industrial wages, as happens in new countries where land is easily available. But this did not take place in England, because any extension of the area of cultivation was accompanied by the system of Enclosure of the open fields in and around the villages, and the effect of Enclosure was, on the whole, to create a surplus of labour in the villages, so that the labour required for any new areas had not to be drawn from the cities; the movement of the people was towards the cities and not away from them.

This period was also one in which the principles of giving relief to the poor were entirely misunderstood, especially in country districts. Poor Law relief had come, in many places, to be regarded as a right and was given without proper regard to the tests of ability to work, which ought to accompany Poor Law administration. The country was being turned into a school for paupers, who were not even disciplined into a desire either

to work or to live prudent lives, and the report of 1834 showed how intense the demoralization of some districts had become.

There was no Truck Act during this period, no municipal franchise through which the people might have influenced the making of the city, and the whole transition through which the nation was passing was bewildering and ungoverned. It was a transition which affected mainly the people, but the voice of the people could not be legitimately expressed, and self-help by combination was refused them. It is small wonder that there were such results as the Luddite Risings, the Cato Street Conspiracy, the Peterloo Massacres, and the stringent Six Acts of 1819. The teaching of the early socialists spread a great discontent. A civil war seemed a not impossible result of the state of the people. They had been led into the new industrialism, and the leadership of those having political power was full of conversative rather than social feeling. Only a slight defence existed in some places by the early co-operative movement. The time affords the darkest picture which has been painted of the condition of a working-class population.

It is necessary, of course, to remember that transition is the usual state of national life,

and even now this term would be applied to the condition of England. Many changes now go by the name of social reform, which are little more than the removal of most obvious abuses, and the end of the nineteenth century has given us, as the most freely quoted fact regarding the city population, the result that about one-third of them are living in poverty or distress. One has, therefore, to read the history of 1800 to 1825 with a great deal of historical sympathy, and to realize that changes which were clearly required then from our standpoint were difficult problems from their standpoint. The same historical sympathy will have to be extended to the study of the last decades of the century by future students, which we have to extend to the first decades. But the gravity with which we regard the social problem of the present time at least enables us to appreciate how tremendous the distress and how inadequate the social policy of the nation were in the beginning of the century. Fixing the estimates that one-third of our city population still lives in poverty, and that welfare is more than twice as great now as it was then, we can translate into terms of human costs the meaning of the great change of one hundred years ago.

II

The Combination Law of 1824 opens the period of working-class emancipation. And the next twenty-five years saw the breaking of at least the hardest fetters. The great fact of these years is the social ferment which arose out of the former conditions and showed itself in a great number of schemes for social, industrial, political and financial reform. There is no single line of advance, but there is one force which works itself out till at any rate the foundations are laid of a more solid national structure. It may be said of these five-and-twenty years that they include the beginnings of organized industrialism, although in many cases they did not take us past the mere beginnings.

To this period we owe the first factory laws which were of substantial value, the Acts of 1833, 1844 and 1850. By the end of the period, the labour of women and children and young persons had received a Charter of Rights so far as textile mills were concerned. The Trade Union movement passed through a period of ferment and disappointment, but seized hold of the true ideals of modern workers' combination about the year 1850. The beginning of legislation regarding Truck

was in 1831, of Public Health in 1848, of corporate municipal life in 1835. The system which had accumulated the National Debt was challenged by a Committee of 1828, and the principle was thereafter accepted that only out of a real balance of income over expenditure could the debt be repaid. The cumbrous and expensive fiscal system was in the same way challenged by the important Committee of 1840, so that after six years of great political excitement the levying of direct taxation was applied to the relief of taxation on goods, and although Free Trade was very far from being realized by the middle of the century, Peel had laid foundations which were unshaken even during the subsequent administrations of his opponents. The Bank Act of 1844 provided that the currency of the nation should be based on the definite principle of supplies of gold held against it.

The franchise of 1832 was also a beginning, but it was of less importance to the working classes than the measures of self-help which were adopted by the definite establishment of co-operation in 1844, and of the Friendly Societies, which gained an increasing amount of legal recognition and protection from 1829 to 1850.

The basis was also laid in this time of the

transport system which has unified the industrial life of the people and brought it into close connection with foreign supplies of food and materials. Few individual causes have done more to cheapen the goods that are in common use than the invention, in 1856, of the Bessemer process of making steel. It meant that the American West and the sources of supply in new countries could be far more cheaply opened up, and it is to the steel rail and the steel ship that we largely owe the falsification of the prophecies of Malthus and Porter as to the difficulties which would beset the nation in regard to its supplies of grain. England became the great builder of railway systems at home and abroad, and she obtained, too, a supremacy in the mercantile marine of the world which became possible after the wooden sailing ship, for which the advantages were with America, gave way to the steel steam ship.

These beginnings are only the outward sign of much discussion and great social unrest. They are no more than beginnings. They challenged the disorganization of the first quarter of the century, and there are two movements which lag behind and count for scarcely anything during this time. One of these is the Housing movement, which scarcely

received a fair legislative support until the third quarter of the century. The other, which is more important still, is the Educational movement. There is much discussion among the great writers and in the periodicals of the Forties on the question of working-class education. Even so great an authority as Porter, in his chapter on this subject, urges the claims of education for the people only on the ground that it will suppress social agitation and discontent. Our first educational provisions are made in the Factory Acts of 1833 and 1844, but they refer only to children working half time in the mill. Previous to 1833 the question of the education of the people had been left entirely to private agencies. Grants to education commenced in 1834 with £20,000 a year and in 1846 had increased to £58,000, but this was entirely inadequate as a means for creating any wide opportunity for the extension of education among the working classes. In the year of the Queen's accession "about a quarter of the total children in England and Wales received no instruction whatever. It was stated in the House of Commons that 49 per cent. of the boys and 57 per cent. of the girls of thirteen to fourteen years old could not read, and that 67 per cent. of the boys and

88 per cent. of the girls could not write." But all other measures of social reform depend not only for suggestion but for their wise use and development upon the education of the people to whom they specially refer, and it is the most serious omission of the first half of the nineteenth century, in its legislative aspect, that the people were almost unable to develop the spirit of intelligent democracy which might have given them a leadership of their own in the times when industrialism was still pliable, and many modifications of the employment relationship might have been possible. It is significant of the backwardness of public opinion on this subject that when the Board of Education was constituted in 1839 it was only by a majority of two votes in the House of Commons that an amendment was rejected, praying Her Majesty to revoke the order of Council by which the appointment of the Board was made. Mr. Porter himself bases his plea for this cause on the ground that "the true path of safety will be found in educating the people—in teaching them to discriminate between evils referable to the imperfections of human institutions, and therefore amendable, and such as arise in the order of Providence. . . . It is seen that the mind can be cultivated without

developing a disposition to mischief or engendering any irrational feelings of dissatisfaction with their lot; while, on the contrary, instruction, when accompanied with moral training, is felt to exercise a benevolent influence in restraining from evil." "Have not all their strikes and risings," he says again, "had for their object the attainment of something which, in their unenlightened reasoning, they have conceived to be their right—mistakenly, no doubt—by proving thereby how deep is the interest they would feel in securing the chief welfare from the moment they should come to know how completely their own true interests are involved in it?" Stronger ground was taken by other advocates who urged the claims of popular education in the name and for the sake of social and industrial change. "What better security could a government desire than that its subjects shall never complain without a cause, or complaining, shall never urge their suit with intemperance," was the summary of a remarkable paper written early in this period to the *Edinburgh Review*. Though many beginnings were made at this time in social reform, the lack of appreciation of the relation of educational reform to the value of all other changes maintained the condition under which the

people were *legislated for* and had social improvement imposed upon them.

III

For about thirty years after the middle of the century there took place a gradual consolidation of the elements out of which the industrial system was formed. It is the building-up period as regards both national organization and legal control. The time coincides with the period of great manufacturing and agricultural prosperity in the country, and along with this great industrial success there ran a strong current of thought on the social aspects of industry.

The movements which aimed at self-help, especially the Trade Union and Co-operative movements, reached manhood stature by 1875. Co-operation, which had extended from district to district in a number of local stores with their own governments, entered on the stage of federalism by the establishment of the English Wholesale in 1863. This implied a working-class control over a system of purchase and production which was a strong defence against similar consolidation on the side of private capitalism. And in addition to the consolidation of the movement through

the Wholesale there began its extension in an organized way into branches of industry such as transport and banking, which are closely allied to its main industrial and social ideas. Its extension also carried with it a great impulse towards common interests, and a diffusion of the social spirit and the educational idea among the working classes.

Trade Unionism had been placed in a position which was not more than tolerance by the Act of 1825. From about the year 1850 onward it had established itself on a basis not only of great strength, but of constitutional policy in its relation to employers. The result of this was that when its legal standing came to be revised by the Royal Commission of 1867 its rights were definitely conceded and it became, by legislation, an approved part of the industrial system. The status of labour was defined by the Master and Servant Act of 1867, and the Employers' and Workmen's Act of 1875. The movement for co-partnership received also a considerable impulse at this period, but only persisted as yet in individual instances here and there.

Of very great importance to the people was the Housing legislation which now came on the scene and dealt with this problem of the city in three different series of acts. Powers

were given under the Cross Acts from 1875 to 1885 to clear large insanitary areas. The Torrens Acts of 1868 to 1875 gave similar powers of improvement where smaller areas were concerned or individual dwellings had to be dealt with; while the Shaftesbury Acts, 1851 to 1867, faced the problem of new housing accommodation for the people. These three lines of attack on this somewhat neglected problem were afterwards drawn together in the Housing Act of 1890, whose three main parts were a re-enactment and a consolidation, with amendments, of the legislation of Cross, Torrens and Shaftesbury.

By the middle of the century factory legislation was fairly complete for textile mills, and this third period saw its extension to other industries and its consolidation by the Act of 1878. Practically all the manufacturing industries came under control by the Act of 1867, and a definite classification of factories and workshops was made in the consolidating Act of 1878. In 1875 two other methods of legislative reform reached the stage of what might be called "full development." The Public Health Act of 1875 brought into one system the Act of 1848 with over twenty amending Acts, and is still the basis of the law on this question. And the numerous

Acts which had been passed to protect the great Friendly Societies were also systematized in that year.

The working classes also profited greatly by the success of the scheme of finance which had been begun in 1842. The method of direct taxation proved itself to be an engine of finance powerful enough to reduce our customs and excise to smaller and smaller dimensions. It had been the aim of both Peel and Gladstone to bring about a result of this kind. The parliamentary discussions of this time show that the scheme of 1842 had become an almost unchallenged commercial policy, and under the influence of great manufacturing and agricultural prosperity it reached its highest degree of success in 1874–75, when the tariff was reduced to the smallest number of taxable goods, while the Income Tax had also reached its minimum of twopence in the pound.

On the side of capital a great impulse was given to corporate trading by the Joint Stock Acts from 1855 to 1862. This was practically a charter to the owners of small capitals, giving them the right to combine, along with security against each other by limited liability. It had always been possible in England for a number of people to unite

their capitals for a common purpose, but while liability was unlimited there was great risk in common action of this kind, unless the investors were well known to each other; but the new market developments, especially in transport, and the increase in the scale of production, could scarcely have been carried on unless by some such system as this for gathering many small capitals together for great enterprises. Private firms have continued to flourish with great strength by the side of Joint Stock; but yet to us now it is remarkable that the system to which we chiefly owe the mobility and the power of capital is only about half a century old. The foundation of a national system of education came only at the end of this period; almost the last stone in the edifice. Its results have only now begun to be apparent.

To a country situated as England is, a strong position in the shipping trade is indispensable, both for defence and to ensure supplies of grain which cannot be raised at home. The figures show that England was almost on equal terms with America, in this respect, about the middle of the century, though America had been gaining especially during the period 1840 to 1860. The marine supremacy, which is now so important to the

country, was due in part to the discovery of steel combined with our more advanced development in manufacture. But America had also lost seriously in this race by the Civil War, and since its conclusion her energy has been applied rather to internal development than to the recovery of her position on the seas. The mercantile marine of this, our greatest rival, shows an absolute decline since the Civil War, and our national position, as dominant for over-sea commerce, was assured by 1880.

The social position of the working classes depends, as we shall see, partly upon earnings that are calculated on an industrial basis, and which are affected therefore by the development of Trade Unionism and Joint Stock, and partly also by the indirect support which is given by local or national services. It is important, therefore, to add to the influences which became highly developed in this time those of the Franchise legislation of 1867 and 1884, and the consolidation of the law regarding municipal corporations in 1882.

At the end of this period, then, England may be said to have reached a stage of highly organized industrialism, and of well-developed influences bearing upon the industrial system. We were the first industrial nation in the world

in 1875. We were not yet faced with the problem of agricultural depression. We had benefited not only by organization at home, but by the fact that great wars had recently been waged on the soil of our chief rivals, America, France, and Germany. No tariff protection could be more thorough than was afforded to England by these disputes abroad. Perhaps their most harmful result was the establishment of the high American tariff after the Civil War. Peel had publicly expressed in the House of Commons his belief that the policy of 1846 would be followed by other great nations, and this prophecy seemed on the eve of coming true when the American tariff fell gradually from 1846 to 1860, when it stood at an average of only 18 per cent. It was the unforeseeable incident of the Civil War which upset these calculations. American Protection, the "mother of Trusts," is the daughter of war.

The effects of industrial consolidation and the social legislation which bore upon it in the first three quarters of the century show a very great improvement in the condition of the people. It is difficult to carry an inquiry much further back than 1830, but it has been shown by Giffen that in the half century ending 1883 the incomes of the working classes

had increased individually about 100 per cent., and that the greatest part of the progress of the nation in that time had been for the benefit of the working classes. "The rich have become more numerous but not richer individually. The poor are, to some smaller extent, fewer, and those who remain poor are individually twice as well off on the average as they were fifty years ago. The poor have thus had almost all the benefit of the great material advance of the last fifty years." This is borne out by a comparison of the amount of the chief imported and dutiable goods which were consumed per head of the population of the country in 1840 and 1881; and although many new costs have entered into the expenditure of the people in the greater strain of work, the need of travelling, or the increase of city rents, these new costs are rather a statement of the fact of an increase in the standard of living than a real deduction from the gain in wages. They mean that the nature of the work is higher as well as the standard of living; and this statement of the growth in welfare holds true of all those classes who really belong, in his words, to "the new society" of the latter part of the century—that is to say, to all but the least skilled grades of labour.

This comparison has been brought up to

more recent times by Bowley and other investigators. The last quarter of the century shows that the greater part of the increase in national wealth has gone to wages, and that the continued growth in welfare shows itself in an increasing consumption per head of old goods with a margin for the purchase of new goods. Here, again, the caution must be added that these facts are true of the better grades of labour, and that they still leave, as Giffen had pointed out, the problem of the residuum to be considered. Still another inquiry, which compares the middle with the end of the century, shows that, making all allowances, real wages increased between 1850 and 1875 in the ratio of 96 to 132, and from 1875 to 1900 in the ratio of 132 to 169. As we shall see later, the gain of the people cannot be measured solely by what may be called the industrial dividend, even when every allowance is made in this respect; and especially in the last quarter of the century, there has been a great development of what may be called the public services of the nation, which have made a further real addition to the purchasing power of the people.

These facts as to the rate of progress must, however, be read in the light of many inquiries at the end of the century which go to show

that the evils which resulted from industrialism are very far from being removed. The last quarter of the century has been especially the period of criticism and reconsideration, and the results of the inquiries which have been made help us rather to understand the tremendous evils which must have existed in the first half of the century than leave us in a position of rest or satisfaction.

The great feature of the last quarter of the century is the extent to which politics became concerned with the social results of industry. Organization has been carried to its highest point, and industry has become, in a very complete degree, a question of groups and associations of producers and bargainers, but there has been in this period, as it were, a recalling of the purpose of this organization in its relation to persons, a weighing up of its costs, and a more conscious attitude towards the results of economic change. "The social idea in England no longer takes the shape of payments made in instalments and at the demand of the working man, but has become a general standpoint from which society and the State weigh and determine the position of the working classes in relation to all questions that agitate the nation, whether of education, health, industry and trade, law

or taxation; not indeed for such as stand with noise and urgent clamouring at the door, but for those who sit as brethren at the council table and represent, quietly and confidently, their interests which are recognized on all sides" (Baernreither: *English Associations of Working Men*). In this spirit every side of national life has been overhauled by public inquiry, most of which has resulted in legislation, and this body of social inquiry and legislation is the main feature of the end of the nineteenth century and the beginning of the twentieth. The principles which are involved in this new attitude must be left over to another chapter

CHAPTER IV

ROOT PROBLEMS AND THE MODERN ATTITUDE

I

The period of revision and reconsideration of industry, especially in its social aspects, may be said to have begun about the time of the Dock Strike. The problems of housing and of the land came under discussion in the middle of the Eighties, and what may be called the Labour-Socialist movement commenced its development before the events of 1889, but the Dock Strike gave a tremendous impulse to public inquiry, not only as to the condition of the residuum of labour in great cities, but as to the rights of labour and of labour organization. The twenty years which have elapsed since have been filled to a remarkable extent with inquiry and legislation on the social side of industry. It has been inquiry carried on in the spirit of hope, both because of the undoubted record of

progress which preceded, and also because there has been a very full view of the possibilities of life and of personality, if the results for which industry exists are not sacrificed in its processes. The inquiries have ranged over every side of industrial life, and have resulted in a body of legislation through which, as we shall see, there run certain principles of social thought, which mark the beginning of the twentieth century.

In the middle of the century Mill stated his opinion that the two main problems of industrial life were those of education and the residuum of great cities. The latter had to be attacked first. If extreme poverty could be removed, then after a generation the foundations would be solid for the building up of welfare. This was his social pathology. Then came his social hygiene—the scheme to prevent its recurrence. The basis of this, he thought, was the education of the people. That was his double proposal, and it is still before us. Our most recent inquiries, like that of Mr. Booth or the Poor Law Reports, show that it is to the residuum that at least a "limited socialism" must be applied before city life is made healthy. We know that the highest results of modern civilization are still built on a broad basis of

distress. No one can live peaceably in a great city who knows about it. On the other hand, Mill's scheme for prevention is now only part of a system of proposals for dealing with adult and child life. But it is with regard to child life and education that the most remarkable steps forward have been taken, and that we have the completest body of legislation. His forecast has been so far justified that poverty and education may still be regarded as the roots of inquiry, whose results may be noted here. Some of the wider influences of education are reserved for the last chapter.

The wealth or poverty of a nation depends upon two facts—the total amount of the national income, and the manner in which it is distributed. The whole income of this country at the end of the century was under two thousand millions a year, so that upon an equal division each average family of five persons could have obtained about £180 per annum from the national stock. Whether this result makes us on the whole a rich nation will be answered differently by different classes of the people. They will probably be agreed that at any rate this figure means that the whole resources of the nation do not make us vastly rich. In the second place, it

is clear that there are services which could not be rendered on this basis of income, especially in the sphere of scientific discovery, which is, of course, of great importance to further national advance. On the basis of efficiency of service a degree of inequality becomes a necessary thing, and the chief result of the poverty inquiries is to raise this question of efficiency with regard to both the highest and the lowest incomes which are earned. Every income of ten thousand pounds, for example, absorbs the average incomes of more than fifty families, and therefore sets these fifty families to compete so as to reduce the average of £180 elsewhere. And at the other end of the scale the same problem of the relation of earnings to efficiency arises, since the question whether any form of necessary industrial service is worth *less* than a certain amount is no less serious than the question whether the highest efficiency earnings have not also their limit. Given that there are degrees of inequality, these inquiries raised the problem of responsibility, and this has had its effect in legislation for the fixation of minima, in schemes for the taxation of great wealth, and in the furnishing of public services out of the national revenues.

More than three-quarters of the people now live in the cities or large towns of the country, and as housing legislation came somewhat late at the end of the century, more than 8 per cent. of the city population is living under overcrowded conditions, that is to say, more than two to a room. Beneath this average figure are concealed figures going as high as 30 per cent. in certain districts, while if we take the standard of crowding upon a certain area, that is to say, twenty-five people to an acre, the great cities show districts where the figures go above three hundred persons to the acre. There is a close connection between the housing problem and that of poverty, for the industrial change which has made the great city and has compelled the workman to live near his work requires him to live upon land which is rapidly growing in value. The poorest of the population are often living upon some of the most valuable city land, and in view of the distribution of income this is only possible by the method of overcrowding to the acre or to the room. A definite attempt to deal with the legacy of the past in this respect was made by the Housing Act of 1890, under which either large or small unhealthy areas can now be cleared on condition that the people are rehoused,

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but later inquiries showed the need for fuller measures of dealing with this problem, and it is now, at the end of the first decade of the twentieth century, the duty of a municipality not only to clear its unhealthy areas, but to consider and plan the future growth of the city. The need for betterment in this respect was specially impressed by the results of inquiry into the mortality of infants and the physical condition of the people, for it was found that the greater part of the responsibility lay in social circumstances rather than in hereditary influence. Nearly 90 per cent. of the population is born healthy. No inherent tendency exists towards a progressive decline in the standard of physique. The adverse influences upon health, which make it necessary for the city to call upon the country for a renewal of its strength every generation, were found to be mainly due to avoidable social circumstances.

As the most valuable investment to which social schemes can be applied is in the health and training of the children of the nation, this problem has been specially to the front during this period. At the end of the century it was found that one in five of all the deaths which occurred in the nation was an infant less than twelve months old, and that the

loss of life within the first twelve months was far above the normal or expectable amount, since all but 10 per cent. of the people are born healthy, and the evils from which this margin of 10 per cent. suffers need not be fatal. It has been reckoned that a loss of forty out of every thousand infants born would be normal under present conditions, but the end of the century saw an average rate for the whole country of more than four times this amount, and efforts to cope with the evil were not showing distinct marks of success. The degree to which this result was preventable was shown in many ways. First, by the great local variations; certain counties, especially those where mining, textile, and pottery occupations were prominent, had mortality rates twice as high as some of the rural counties of England, and these local variations were so permanent as to indicate that certain industrial factors were closely connected with this evil. Again, the success which has attended the efforts to cope with the problem since 1900 has also shown how great a price was formerly being paid merely for public or private neglect. Thanks to the Notification of Births Act, and certain private schemes which preceded it, as well as to the stirring-up of interest by the National Confer-

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ences of 1906 and 1908, the average rate for England and Wales has been reduced in ten years from 163 to 109. And, again, it was found that, wherever the mortality at early stages was high, it continued high through succeeding months and years, and that districts which paid a heavy cost in infant life paid also a high cost in child life and the life of young people, as well as in illness and bad conditions generally. In fact, the evidence showed that there were certain results of industrial life which increased the whole human cost of production of goods, but bore with such special severity upon the youngest and weakest that the infant mortality rate could be taken as an index to separate the black spots of the country from those which had more favourable conditions. The poverty of the people was not itself a satisfactory explanation of these results; on the contrary, the national loss from this cause has been least of all in those districts where least wages are earned, such as Ireland or the agricultural counties of England. It follows that, though the poorer parts of a city pay this price more heavily than other quarters, it is not to low earnings alone that we must look for the explanation. There is an evident influence of poverty upon this problem as

there is upon the housing problem, for poverty, as we have seen, makes for crowding in the cities, and it is known that the circumstance which is most fatal to infant life is the amount of crowding to the room. Under city conditions of life, therefore, certain results tend to follow upon poverty which do not follow upon it elsewhere. The precautions which are necessary, especially in connection with the artificial feeding of children whose mothers are at work, cannot be obtained when the degree of crowding to the room becomes considerable.

There has also been a very remarkable development in inquiry and legislation for the protection of children at school. Perhaps no part of the system of life has been given such careful attention in the last twenty years as this. Four distinct ideas can be traced in the policy of recent children's legislation. There has been, in the first place, a movement to extend the minimum period of education, the legal age having been raised (except in agricultural districts) from ten to twelve between 1876 and 1899. The exploitation of child labour in industry had already given us, as a result of the Commissions of 1843 and 1866, some of the most terrible disclosures recorded in any official documents. The reasons for further advance along this first line have been

the realization that the minimum legal period of education covers, in many cases, the whole educational opportunities of life; that no child is fit to choose a trade at twelve or thirteen; that his own tastes at such a time are quite likely to be mistaken or unformed; that he has not the educational capital which will make for ambition and self-confidence, and that therefore he is liable to make a dull acceptance of the routine artisan life without the interest to join later in movements for further education. And to these considerations there has been added very recently the results of medical inspection of school children, showing in 1909 a "formidable category of disease and defect," which means "a large degree of suffering, incapacity, and inefficiency." From the new powers which have been given to deal with this, it is not desirable that children should be too soon removed, and we are now, at the end of the first decade of the twentieth century, in the midst of a movement, supported by many different inquiries, whose aim is to give up to at least the fourteenth, and if possible the fifteenth, year of life for the building up of the personal capacities upon which forty or fifty years of industry depend.

In the second place, there is a desire that

education itself should be made more fully a charge upon this minimum period. A remarkable inquiry of 1899 showed that wage earning was a keen competitor of education, in the case of even young school children. As much as fifty hours a week might be worked, mostly in casual occupations, for sums from sixpence upwards. By the Acts of 1903 and 1908 school children are now protected against any occupations injurious to life, limb, health or education, against exploitation for begging or street trading, and against employment at night, and powers have been given to fix or to limit the hours of wage-earning occupation for children, and at this moment even fuller powers are being sought.[1]

Thirdly, the idea of education itself is being widened in scope. The Act of 1906 brought physical maintenance within the meaning of the word, and in 1907 not only did medical inspection become the duty of local authorities, but they were given "power to make such arrangements as may be sanctioned for attending to the health and physical condition of children in public Elementary Schools." Play centres, clinics, school nurses, vacation schools, open-air schools, and the whole organization of Care Committees are plans

[1] *v.* Cd. 5229.

upon which public money may now be spent in the name of education, which is no longer limited in its idea merely to adequate instruction.

Lastly, the care of children includes the policy of providing, at the end of the school period, a connection between education and industry, and of maintaining this connection after industrial life has begun. This step has been taken partly in the interests of industry and trade, in order to provide a greater national efficiency in technical processes, and partly on the more directly human ground of preventing the drift of children leaving school into the unskilled occupations which lead afterwards to the problem of the residuum. Even at the present time three out of four children, at the critical ages between fourteen and sixteen, are under no educational care whatever, and are entering upon industry without the specialized training which modern industrialism is constantly making more necessary, and which might influence them in the direction not only of efficiency but of ambition. Largely under the stimulus of foreign examples there has been a great development in the opportunities for technical training at Evening Schools, and in the provision of a public organization to assist

in the choice of employment by the Acts of 1908, 1909, and 1910.

A new energy has also been given to the study of several aspects of adult industrial life. We have seen that Giffen refers to a certain section of the people who have not shared in industrial advance as those who "do not belong to the new society," and we know that the problem of the residuum, as it is called, whatever it may have been earlier, is a vast one even now. It was possible for Mr. Booth to report at the end of the century that in the city of London about 8½ per cent. of the people were an absolute drag upon the life of the city. The Labour Report of 1894 and the Poor Law Report of 1909 both found that this was one of the grave features of evolution. It would, Mr. Booth reported, be an absolute gain if this considerable proportion of the people of London did not exist at all. They meant a double cost, both because they could not maintain themselves, and because of the influence of such a margin upon the employment of those immediately above them. It is a class which has been fed by the deteriorating influence of city conditions, by degradation from higher ranks, by processes of industrial change, and by personal conditions, and suggestions such as Mill made in

the middle of the century were still unaccomplished and repeated at the end of it. Some drastic treatment of this residue by some means which in 1909, as in 1850, was called colonizing was felt to be the right policy to adopt, and by colonizing is meant simply some method of removal out of the field of city life and industrial competition. There is still a demand in the industrial system for unskilled work. Labour of this kind "belongs to the new society." The fact which is most full of meaning at the end of the century is the existence of an absolute surplus or human residue, which is pauper in fact though not in name. The many sources which contribute to this drift have led us to look at industrialism as a whole on its labour side from the point of view of preventive organization. How far can any forms of municipal or national industry be used to lessen those fluctuations of the market which degrade personal skill and ambition through insecurity of work? How far can alternative occupations be provided for actually increasing skill by opportunities for further training during such intervals? What are the actuarial possibilities of monetary insurance against such results? How much labour can be fitted to work which it would otherwise have lost

through the organization of exchanges, and how far can this organization of the labour market be carried out so that a "market" for labour shall still be a field of personal choice, and not merely the public ordering of demand and supply ? At the end of a century of industrial evolution these problems are more acute than they ever were. The perception of possibility is so great that these defects are now more keenly felt. As we have seen, it has been one of the marks of progress that the quality of occupation has risen, even though the demands of the new form of life have risen also; and with it the standard of judgment upon an industrial residue created by a system out of persons has become more severe, even if the absolute amount of the residue has become less.

Certain economic conditions especially affecting the employment of women were inquired into by the Royal Commission on Sweating and the more recent Committee on Home Work, as well as by private investigation. The class of the community affected by these conditions is scarcely in the position of a residue; like unskilled workers, they hold their place in answer to a real economic demand. They furnish the elastic margin of many industries, especially some which

supply cheap goods of uncertain demand. The distress of this class is due largely to the easiness with which occasional workers can enter into competition with it. It is not protected through special skill, and it is further disorganized through being employed largely outside the factory, so that common action is rendered difficult. But the main economic cause of the distress which is implied in sweated conditions is the competition of manual work with the machine. This takes place in one of two ways. Either wages have to be kept very low, in order to prevent its displacement by the introduction of machinery if it claimed a high rate; or machinery has already been introduced in the mill which fixes, on the basis of a large output per day, the price of each article supplied; the manual worker must accept this price, but his or her output per day is necessarily much less than that of the machine. We have, in fact, in such forms of industry a relic of hand or domestic industry which has survived the century and still lingers on round the margins of factory employment. Our inquiries have found that the earnings often go so low as to make it "better to starve without the work," and the problem of creating better conditions is one where extreme caution is required, since the

position of the workers is so insecure. The question which has had to be asked is whether any form of work which implies the hours and conditions and strain that accompany sweated labour can be worth less than a certain minimum; whether for want of organization this class of labour is being paid less than its efficiency wage. With extreme caution the Trade Boards Act has endeavoured to create an organization which will make minimum rates of pay in certain of the worst trades. Should it prove that these minimum rates will displace the hand labourer by the machine, the industry then being shown to be parasitic, we shall be faced with a serious problem of maintenance or of training; one which may, in indirect ways, affect the rates of wages for men.

II

The first of the principles which may be said to underlie the legislation of this period is that of personal right and personal value in industry. We have seen that the growth of organization and of the magnitude of the industrial structure is liable to be regarded as in itself the end of human effort, and that especially when industrial complexity has

become very great the relation of the whole process to the end which it is meant to serve becomes more difficult to see. Both machinery and joint stock have been influences tending to increase the separateness of the worker from his employer, just as the various forms of division of labour separate his work from the products which he himself wishes to use. This question of the personal factor in industry may best be judged by making a comparison between industry and two other aspects of national life in which this factor counts for more.

The tendency of public thought on industrial questions has been much affected by the principle of what is called the "long run" and the averaging out of results. For example, the fluctuations which occur may be regarded as movements which, on the whole, balance each other, there being at one time a period of great prosperity, to be set off against a period of great distress later. This point of view implies that things are looked at in the mass and that small variations are cancelled out against each other. In the same way the problem of employment, of adjusting the labour supply to the work to be done, may be regarded as one which works well on the whole, though there are incidental disadvan-

tages to individuals. Or, again, it might truly be said that the influence of invention in displacing labour was for good if we took a long view of all its effects, and that the displacements which it causes are incidents bearing no doubt severely on individuals, yet incidents in a forward movement which ultimately contributes to the general welfare. The influence of Darwin has given great force to this method of reasoning in social evolution; he exalts the type or the system as against the individual, and while the great structure of industrialism was being built up the current of social thought was not strong enough to combat this attitude.

Now if we compare the legal or the political aspects of life with the industrial we find standards of a different kind. The point of view is in both cases intensely personal, and the argument of the "long run" is not allowed to exclude personal rights and values. It is felt in both these cases that the person is a claimant who must be listened to against the whole system to which he belongs. An injury to an individual is not regarded as simply incidental to the organization of a system. As an example of this in the political sphere we may take the celebrated case of Don Pacifico in the middle of the century. He

was a naturalized British subject who suffered injury in a disturbance in Greece, and he presented a claim for compensation. The fact that a civil injury had been done to him in the midst of a disturbance abroad was not regarded as incidental, or as one of the things which are always liable to happen and which must be taken as they come. On the contrary, although he was not a subject of whom the country had any reason to be proud, his claim was taken up and became the centre of a famous international dispute. In order to put right the injury done to him, the fleet was ordered by Lord Palmerston to the Dardanelles, and this case was felt at the time to show that all the resources of the country were held ready to vindicate the political right of an individual subject, even, if need be, at the cost of war. The great speech of Lord Palmerston, as Prime Minister, was delivered in vindication of this policy and point of view.

Or, again, if we turn to the legal sphere, well-known cases exist to show the same thing. Captain Dreyfus was an individual French soldier who was believed to have suffered a legal injury, and the same has been true of many individual cases in this country. No argument that injury of this kind is incidental to the working of a legal system would

have been maintained. The individual claim against the whole system of French military law was felt to be so strong that it roused a passionate interest in the whole of the civilized world. The law in this way is strongly personal in its standards and point of view.

Now it is this point of view which has become definitely conscious in industry in the last part of the nineteenth century. The working of the industrial system is known to inflict injury and damage upon individuals, and we are tending no longer to average out its results or to balance the loss of one individual against the gain of another, but to take the same attitude toward the right of, for example, one person thrown out of work as was taken in regard to Don Pacifico or Captain Dreyfus. When the case of "John Brown unemployed" is felt to create the same need for redress as the case of "Captain Dreyfus wrongly condemned," the industrial standard will have been placed on the same level as the standards of law and civics. Legislation is therefore tending to watch closely the results of industrialism as they bear especially on the residuum or on labour temporarily displaced, or upon the sickness, distress and accident which beset the industrial life of workpeople.

A second aspect of this recent movement is

its new attitude towards the idea of property. Economic standards in this respect have been of what may be called an "external" kind, that is to say, that in measuring the wealth of a country it has tended to regard as wealth the external and material goods which are owned by the nation or individuals. This way of regarding the wealth of a nation tends towards ease of measurement, and economics has usually defined wealth so as to exclude any but material goods and external advantages belonging to individuals.

The attitude of the time, however, is one which wishes to take what may be called the "internal" wealth of the nation, that is to say, the qualities and capacities of persons, as of the same rank as the external, and this means two things. It means, in the first place, the *concession* that these capacities and qualities must be guarded in the industrial system and must be legislated for; and, in the second place, it implies a *claim* that the State has a right to supervise and control the use, by the individual, of such qualities and capacities. Mill held that there was what he called an "inner circle" of the life of an individual within which the State ought not to intrude, but it is just this inner circle which the State is tending more and more both to protect and

to supervise. This is seen not only in the body of new legislation which regulates the development of such capacities in their most critical period in the case of children, but also in the tendency towards greater compulsion in the case of adults, as shown, for instance, in the insurance scheme and other aspects of the proposal to organize the labour market. Both Mill and Macaulay had pointed out that, in the words of the latter, "the security of property is the basis of Western civilization"; and when this idea is applied to property in its personal reference it yields standards of duty both from and towards the individual which have come to the surface of public thought in this most recent period. It is one basis of the claim for a "right to work."

Thirdly, there is the idea of minimum conditions. This is an idea of industrial distribution which results from certain obvious facts of production. Industrial complexity is so great that it is now almost impossible to give exact meaning to the expression "the product of one's own labour." In the days of handicraft, when a craftsman might produce an entire article by himself, place it on the market and receive the price of it, it was easy to estimate the value of his own work, but with the subdivisions and inter-connections of

modern industry it is extremely difficult to trace that part of the market value of goods which is to be imputed to the workman, who is responsible for perhaps only a part of a part of the product. In other words, since the creation of material wealth has become highly social, the efficiency value of the labour of the individual is difficult to reckon. It is possible for economic theory to fix limits, one of which is set by the estimate of the employer of the net difference to the value of his output which would be made by taking on or dismissing a few more hands; while the other is set by the minimum conditions upon which that grade of labour is able or willing to work. Between these limits there is room for bargaining, but this theoretical determination of the value of an individual's work is subject to two difficulties; the first, that the price realized for the products of a firm depends largely upon the government which controls the labour and the marketing, so that labour of the same efficiency may receive a less reward if there is any fault in the management, for which it is not itself responsible; while the second difficulty is that the idea of personal efficiency in industry is one that does not refer only to the skill of the worker. A worker of the same skill has a different efficiency, reckoned in

money, according as prices on the market go up or down. On grounds of this kind, and largely also because of the great complexity under which, at the best, a theory of this kind has to be applied, the idea of minimum standards is being made great use of, on the part of the State, with regard to the lowest grades of labour, and with regard to all grades by the organization of wage bargaining and the supply of public services in the way of health and education. Industry, it is realized, is a circular process in which the original producers, taken in the mass, are also the final consumers; but the tendency is to give rigidity to a certain part of this circular and elastic process and to require that the rest shall adjust itself to this fixed standard.

CHAPTER V

THE QUESTION OF THE SYSTEM

The movement which we have traced in the last chapter may be described as the endeavour both by the law and by organization itself to make the system of industry work to the greatest advantage of the people, and its results, as we have seen, have been in fact to create a continually growing social betterment. But it is necessary now to consider the nature of the system itself, since a definite line of criticism and agitation is based upon the idea that social evolution cannot rest until the system itself has been altered. We have to consider, therefore, in this chapter, the nature especially of the employment relation, the influences which it creates and maintains, and how far it may be said to be responsible for a permanent condition of the people which may be justly criticized from the point of view of democracy. We find throughout the literature of the

century a continual recurrence to this fundamental issue. Improvement within the system has not been felt to be enough, improvement of the system has been advocated at every stage, not only by popular agitators but by leaders of thought.

John Mill, for example, in discussing the condition of the labouring classes, referred to a "standing feud" between labour and capital, a "division of the human race into two hereditary classes, employers and employed"; and he uses at a later stage of the argument even stronger words when he says that "If the bulk of the human race are always to remain as at present . . . I know not what there is which should make a person with any capacity of reason concern himself about the destinies of the human race." And, again, "I cannot think that they (the working classes) will be permanently contented with the condition of labour for wages as their ultimate state." The report of the Royal Commission on Labour at the end of the century refers to the same problem when it notes the "widespread feeling of dissatisfaction, at any rate in theory, with the relation between employers and employed in the shape which at present it usually assumes."

We must therefore inquire what there is

in the relation of employment which justifies statements of this sort and the constant agitation for a change of system. Such an inquiry goes to the root of the industrialism which has been established in the nineteenth century, and it is closely connected with many proposals not simply for the development of associations within industry, but of associated industry in a fuller sense of the word. In their completest form these proposals constitute State Socialism—a modification of employment based on the public appointment of industrial administrators, not merely on public control of them.

When the great industrial change took place, the relation of employer and employed seems to have developed as a matter of course. The working classes were at that time without any organization which might have enabled them to bargain for any other system, or to support claims of their own, in which the capitalist employer might have been dispensed with. The change may be shortly summed up in the statement that the firm became the industrial unit for the production of goods, so that in the great industries of the country the individual producer as a craftsman or a domestic worker lost his status. As things are now it is only the firm

which has complete productive efficiency, and the development of the nineteenth century, especially since the legislation for limited liability, has confirmed and emphasized this fact.

The word "firm" itself implies ideas of stability and fixity which are not in fact well grounded. On the contrary, as industrial development has proceeded, the tendency has been to make ideas of this sort less applicable to the facts. There is no permanence of personnel in the typical industrial structure on the side of either labour or capital. The method by which the shares of joint-stock companies can be transferred from one person to another causes the supply of capital to firms to be of a very shifting kind, while the supply of labour changes on short notice which has tended to grow shorter through the century, owing to conditions of the market. There is great fluidity on the side of both employers and employed, the permanent feature of the firm being in its management rather than in its labour or capital. It would probably be found that, if a comparison were made over an interval of time between the workers and shareholders of a joint-stock company, the former would be in many cases more permanent than the

latter; so that, through the management, the labour would employ the capital rather than the capital the labour.

The relation to which attention must first be drawn in the structure of the firm is that of employment. This cannot be regarded as simply a case of the sale of labour to the employer. Labour is not an article which is created and then sold. If it were, the workman would be in a far stronger position than he is, since he would be able to accumulate stocks of the commodity which he makes, and to hold out for the best terms. Labour is a relationship and not a commodity. It only exists in the act by which it is sold, and cannot exist unless there is access to the fixed capital of manufacture.

If the firm were a complete association, all the parties engaged in production would share the profit or loss and also the government of the firm; all of them would have part in the risks, in the ownership of the accumulated stocks of goods, in the initiative which a firm has to take, and in the credit which a firm can obtain because it is an enterprise. But the firm has developed on another basis, and the wage relationship means that the risk, the legal right to the accumulated stocks, the initiative, the government, and

the credit of the firm belong to those who supply share capital; while those who supply the labour have their risk discounted for a fixed weekly amount, and are paid off in this way. This fact of exclusion from the risks of capital carries with it exclusion from government, and the result is to create a permanent condition from which certain results follow.

In the first place, there is the effect upon what may be called "reserve." Partnership in a company means that when one's own labour is not employed, income is being earned through one's interest in the activity of the whole corporation, or additional income when one's labour is being employed. The fact that labour is not a commodity but an activity creates an obvious need for reserve of this kind, since workmen cannot accumulate stocks of labour in bad times. But those who are paid off at fixed rates lose thereby any such interest in the corporate energy of the firm. Again, the legal ownership of the accumulated stocks of goods which are made by a firm is vested on the employers' or capital side of the structure, and this holding of stocks in reserve through a slack market greatly enhances the waiting power of capital. It must be remembered,

too, in this respect, that the need for reserve on the side of labour is made still greater, since the worker cannot distribute his earning power as owners of capital can. He can work for only one firm, while the owner of capital can distribute his earning power over many firms, not only in the same trade, but over all the industries of a country.

It can, of course, be held that the weekly rate at which labour is bought off by the government of a firm is fixed so as to cover ups and downs, and so that enough can be saved during the time of employment to create a reserve for times of unemployment. We shall see later that a general admission has been made that this is not the case, and it would be the case only under conditions of equality in bargaining in which reserve itself plays a very important part.

In the second place, this relationship affects the initiative and therefore the power to obtain credit of those who are employed. Employment means that they follow a lead, and cannot on their own account undertake an enterprise, while the holders of capital, even if an enterprise has turned out badly, can, because they are initiators who give a lead to industry, obtain credit for a new start. The tendency of the relationship is to throw

both reserve and initiative where the government goes—on the upper side of the firm; and one of the notions which is implied in the criticisms which have been quoted is this notion of the provision of adequate reserve, and of the permanent insecurity of status which belongs to a class who cannot create a reserve of their own commodity and do not participate in the results of the corporate activity of a business.

Another aspect of this problem shows itself when we consider the different forms of employment which exist within a firm. Under the government of the shareholders the work is carried on by a staff, part of which is salaried and part of which consists of wage earners. The distinction between these two implies a difference in method of payment which corresponds to a difference in nature of work. A salary is a fixed remuneration which is paid over a long period of time. It is of the essence of wages that they are paid over short periods of time.

An employee who is paid quarterly does not stand to lose for even a week's cessation of work; he is carried through that by the terms of his employment. But when the conditions of service, and of notice to terminate it, are monthly, weekly, daily or hourly, the employee

stands to lose for shorter cessations of work. Any one who is on hourly terms loses for idle hours, or has security only from hour to hour; while those on weekly or longer terms have a longer security, and are carried through short intermissions of work. Now a great characteristic of the wage relationship in respect of wages which are paid by time is a growing exactness of adjustment of wages to work, so that for the shortest cessations of work there are at once cessations of pay. The wage, that is to say, partakes less and less of the nature of a retaining fee, and it is in this respect that it differs from the salary. This result is, of course, obvious in the case of piecework. The Labour Commission of 1894 calls attention to the fact that the factory system has developed this careful and jealous measurement of work against pay. "In very few instances," the Report says, "does the legal and customary notice on either side exceed a month. More often it appears to be limited to one or two weeks, and in many cases, and especially in the case of unskilled labour, a workman may be discharged or leave his occupation without any notice at all." In earlier times, they go on to say, legal engagements were for longer periods—"for a year at least," but after the factory system "short

notice, to suit the fluctuations of trade, appears to have arisen in the interests of employers."

Now the distinction thus made between one class of employees—the salaried staff—and the other class of wage earners is not an arbitrary one if we accept the fact of the employment relation. Salaries are paid over a longer time because the work for which they are paid extends over a longer time. It is not a repetition of one process. It implies the planning of a scheme for the carrying out of some piece of work which is only completed in a month or quarter or even in a year. On the other hand, the work for which wages are paid does consist very largely in a repetition of processes which occur over and over again, which can be carried out by one person to-day and by another person to-morrow.

But when we consider the influences of this distinction upon the wage-earning classes, it becomes evident that their status is strongly affected by them. They constitute a less fixed part of the firm than do the managers and salaried staff and foremen. The effect of a depression in trade will be visited on the wage-earning part of the firm some time before it will become necessary to dismiss a foreman or a manager. The labour unit is

large and fluctuates easily, and therefore it tends to be paid over very short times, so that even short changes in the market are felt by wage earners. It is clear that this fact, as regards the structure of a firm, adds to the problem of reserve and insecurity, so much so that an investigator to the Poor Law Commission has suggested as a possible definition of the working classes—"Those to whom the Poor Law is a constant possibility."

Add to such facts the spirit of democracy, and we have a statement of the problem of employment—an insecurity of status under the government of other people. A paradox of the time is indeed the double bitterness of labour—out of employment because of want, in employment because of aspiration. To be unable to get work, even or except on terms to which you object, is certainly a position of despair.

By more than one method a remedy is sought for the gap in the structure of the firm whereby labour is excluded in the typical case from full corporate rights. The direct method is that of co-partnership, which stands for an attempt to make workpeople shareholders, and to overtake, by a gradual building up of this system, the long start which capitalism has obtained. Of this method, and of the

weaker system of profit-sharing, more must be said later. Something must first be said here both of the significance and of the force of the great development which has taken place in the bargaining power of labour through Trade Unions. This gives an influence upon government, not a share in government; but the influence has become one which extends to many sides of the organization of the firm, and it represents a degree of working-class control over private industry which is exceeded only in the Co-operative movement.

Nothing shows more clearly the imperfect degree of association which the firm stands for than the nature of this bargaining relation, for it means that the loyalty of the employee of a firm is due in the first instance not to his firm, but to his labour organization, and this prior claim stands out at once when, on the occasion of a dispute between employer and employee, a third party steps in—the Trade Union organization—and takes upon itself the settlement of a question which has arisen within an organization of which the Trade Union secretary is in no way a member. Personal questions, or questions of detail within the firm become, for this reason, questions of principle. The whole body of labour employed in a trade becomes a party

to each such settlement, and thereby sets a claim prior to that of the firm on the loyalty of the individual employee.

But the development of bargaining has given it an influence not only upon questions of wages, but upon other matters of government. There is involved not only a fixing of standards of pay and a jealous watchfulness over every variation from the standard, extending to the minutest details of work, but also such larger questions as the amount of continuous work which may be done by an individual employee, the intervals which must elapse between one shift and another, the number and even the class of men who must be employed in carrying out a piece of work, the manner in which work shall be arranged in a slack period, the proportion of youthful labour to adult labour which may be taken on in a trade, and the methods of procedure which shall be adopted on the occasion of any dispute. All this means a control over the internal organization of a business which gives, though in a limited sphere of administration, many of the results without the form of participation in government.[1]

By successive stages the claim of labour to impose such conditions from without has been

[1] v. the *Report* in Cd. 5366.

first tolerated, then approved, and finally recommended. The results of such organization by the end of the century were such as to draw from the Royal Commission on Labour the conclusion that, "Just as a modern war between two great European States, costly though it is, seems to represent a higher stage of civilization than the incessant local differences and border raids which occur in times or places where governments are less strong and centralized, so on the whole an occasional great trade conflict, breaking in upon years of peace, seems to be preferable to continual local bickerings, stoppages of work, and petty conflicts. A large conflict of this kind is usually begun with cool deliberation, turns upon some real and substantial question, is carried on with less bitterness and violence, is properly settled by a regular and well-thought-out treaty of peace, and does not leave behind it much personal rancour or ill-feeling between individual employers and their workmen." Their conclusion was favourable to the trades where high organization, even of the form of an armed peace, had taken place, as against the trades in which such organization was weak. Still later the Poor Law Commissioners of 1909 have definitely recommended the forming of Trade Unions,

especially among the lower grades of labour. And although in quotations like the above attention is drawn specially to the militant industrial aims of Trade Unionism, it must not be supposed that this represents their main activity. Dispute pay is, in fact, almost the smallest part of the outlay of Trade Unionism as a whole, and amounts to an average of only about 1*s.* 6*d.* in the pound of their expenditure. The claim to an influence on the organization of business which shall make up for the exclusion of labour from direct government has been maintained at so low a cost in strikes that only about one dispute out of every seventy at the present time results in a stoppage of work.[1]

The growth of such organization was impeded during a large part of the century by both public opinion and the law, and there is still much confusion as to the rights and status of labour organization; and this delay in building up the system which was to act as a substitute for rights of government enables us to take an historical view of the position of wage rates as they stand. A theoretical statement of this position, as we have seen, gives us limits beyond which the employer or the workman will not go—the

[1] Cd. 5346, p. xxi.

reserve prices for labour. But between these limits there is room for bargaining, and the question whether wages now stand nearer the upper limit of what the employer can give or the lower limit of what the workman will take is not simply one of present-day strength of organization, but also of the past movement of bargaining. It might, for example, be held that out of such conditions as prevailed at the beginning of the century wages have gradually been raised as Trade Unionism has secured a stronger position, but that they have not yet been raised either to the level of the real value of labour in the State or even the real costs of the standard of living of labour itself. The explanation of actual wage rates would therefore be as much historical as theoretical.

Now it is a remarkable feature of legislation at the end of the century that some such admission as this has been made. It is practically granted by a great part of this legislation that certain costs, which belong to the workman's standard of living, cannot yet be charged upon wages. In theory, with full equality of bargaining power, the wages of a trade would stand at such a level as to allow for the uncertainties and risks and liabilities to accident of one trade as against another, but the State has come forward with schemes

which charge upon the revenue of the whole State many of the costs of living of the people, such as education, provision for old age, and insurance against sickness or unemployment. That it should be deemed just to meet these charges by schemes which are either partly or wholly non-contributory from the side of the workman amounts to a declaration that wages have not in fact reached, by the process of bargaining, a level which would enable them to meet, by themselves, the full costs of living.

The number of public and private subsidies which, at the end of the century, come to the aid of wages is such as to amount to an important percentage on the wages bill, and when we ask the question how the industrial régime alone distributes the wealth of the country we have not reached the end of the problem of distribution. The movement of the century has been one in which national distribution, or redistribution, has proceeded along with industrial distribution, there having been, especially in the last quarter of the century, a great development of the public services placed at the disposal of the working classes. These services, such as free education or old age pensions or the recent proposals for insurance, are to be

distinguished from other national services such as defence or justice, which are not of the nature of subsidies to one class out of the general revenue. Supports to wages of this kind have as a rule been based on the principle mentioned above, that they are necessary to the standard of life, and that wages alone cannot yet bear the charges; but it is also a possible view that the development of such grants in aid tends by itself to lessen the force of wage-bargaining and to act as a substitute for the more direct method of higher wage rates. One must remember, however, in this connection, that the interests of the State themselves have been felt to be involved, and this ground is one of the best justifications for the method of subsidy, even at a possible cost in bargaining strength; for national grants of this kind carry with them powers of control or compulsion, and the State has a stronger grip on such sides of national life as education and health if it offers the service wholly or partly as a gift and requires that it shall be used, than if the provision of the service were thrown on individuals perhaps earning higher wages, out of which a definite reservation for health or education might be more grudgingly made.

In order to perceive the extent to which

the distribution of wealth on its industrial basis alone is affected in this way, one has to suppose the abolition of all forms of charity, whether by subscription or institutions or individual gifts, as well as the abolition of national services in favour of the working classes. It is probably not an exaggerated estimate that these together amount to 15 per cent. of the wages bill of the country, so that bargaining would require to force wages up by this amount if industrial distribution were to stand by itself. As it is, the régime which the nineteenth century has developed is one in which we must regard wages as a *provisional payment to labour* out of the national income, a supplementary distribution being made in the form of public services or of gift. This bears out what has already been said as regards the policy of minimum conditions. Only up to a certain minimum are we now able to reckon the value of an individual workman's services to society; and up to that minimum we make him a provisional advance out of the industry he works for. Over and above that he is entitled to share in certain common goods, which stand for the less definite addition which should be made to wages in order to raise income to the full equivalent of work done. In view of this,

it will be seen that the movement towards political democracy is not merely parallel to, but is an inseparable part of, industrial democracy.

Another method by which it has been sought to overcome the division between labour and capital within the firm is that of profit-sharing in any of its numerous forms. Schemes of this kind are initiated from the side of the employer, and are always, therefore, a less democratic method than that by which Trade Unions bargain for a share in the surplus. Profit-sharing has a history which goes back in England to the year 1829, and England is not only the original home of this system, but it has been also the chief sphere of experiment on these lines. The mark of profit-sharing is the allowance of some kind of bonus to employees, paid as a percentage of their wages. The typical case is one in which a certain minimum profit is first allotted to the ordinary capital of the company; after and when this minimum rate is obtained a part of any additional profits, say a half, is paid to labour and the other part to capital. The payment may be made purely at the discretion of the employer, or it may be an obligation undertaken by him and implied in the wage contract. The essential is that the bonus is paid to the

employee simply as an employee and not as a shareholder in the firm. But there may be the intermediate case in which the employer enables his workmen to obtain shares in the firm upon special terms which are open only to his own employees, and thereafter pays dividend in the ordinary way upon these shares. Schemes of this kind stand between profit-sharing and co-partnership.

Since the first scheme of this kind, undertaken by Lord Wallscourt in 1829, every year has seen both new attempts and new failures. At the end of eighty years, one hundred and ninety-eight schemes had been entered into by private employers, but of these only forty-nine were still in existence. The years 1889 to 1892 were the most fruitful, eighty-four schemes having been begun in that period, of which sixty-four have since ceased to exist. It cannot be said, therefore, that in the open market of business any very great impression has been made upon capitalism by this method, since the forty-nine existing schemes include little over sixty thousand workpeople. Even in the market to which we should specially look for the application of this principle, that of Co-operative Trades, it has not been widely used, only about one in seven of all Co-operative Societies in the United Kingdom being

returned as having any profit-sharing with their employees, and in the still more sympathetic market of working-class Productive Associations only one in three is returned as giving a bonus of this kind. But though the area of its application is thus a narrow one, the idea has always been kept alive, and it is of interest to consider the market conditions which have hindered its fuller use, as well as the most recent change in form which it has undergone in the name of schemes for Social Betterment.

It is evident, in the first place, that profit-sharing alone not only implies the exclusion from government of the employees who benefit by it, but that the payment of a bonus at all may cease, whatever the efficiency of their labour, by faults of administration for which they are not responsible; or even, in the most typical cases, by results of administration which bring the total profit of the firm down to less than that minimum amount which has to be paid to capital before anything is paid to wages. This fact, that the utmost efficiency of labour may be cancelled by faults of administration or by market conditions, tends to damp that extra zeal which it was hoped profit-sharing would induce. And again, since the average amount of bonus to wages

is about 1*s.* in the £, the advantage is not great enough to appeal to the employees even if this were distributed to them in cash, and the appeal is even more remote when it is not paid in cash but is reserved for some form of provident fund. And what to the employers appears as extra zeal is apt to be regarded by working people as speeding up. In view of the fact that the loyalty of the workman is to his Union in the first place, it may naturally seem to him that extra benefit obtained in this way is purchased at the cost of workers in other firms who do not obtain a bonus of this kind, and this was in fact the ground upon which its failure is reported in one of the best known cases of its trial. Trade Unionism has also, on the whole, regarded schemes of this kind with suspicion. Even though there is evidence that the bonus has been in addition to and not instead of standard rates of pay, yet there is always the fear that the discipline of the men's combination is rendered more difficult by special attachments of this nature. Wage-bargaining has developed a spirit of independence and an idea of industrial rights which do not seem to mix well with those rival ideas of industrial favour and philanthropic endeavour.

In recent times the sharing of the gains of

large businesses has been carried out less by the payment of a bonus on his earnings to each individual workman than by what might be called "common schemes," through which the whole body of employees of a company are given the use of institutions or opportunities of a social or educational kind. This is the method of Social Betterment, and it possesses many advantages over the more individualized systems of profit-sharing. There is an advantage from the point of view of mere economy, since a share in a common good of this kind is usually of greater value to the individual workman than the payment to himself of a proportionate amount of its cost. For example, a sum of £1000 divided annually as bonus among 1000 men creates a less advantage to each than he could obtain by the right to the free use of some institution costing £1000 a year. And there is also some advantage from the point of view of the democratic spirit, since the consolidation of the bonus by means of a common scheme makes the relationship of donor and recipient less individual and places it at one remove.

Much of what is now called "Social Betterment" or "Model Employment" implies rather the removal of unfavourable conditions than the gift of specially favourable conditions.

The mere fact that such schemes attracted great public attention in the beginning of the twentieth century is a serious reflection upon existing standards, and is to be read in the light of the criticism of fifty years hence no less than in the spirit of sympathy with its purposes at present.

These schemes are distinguished from any form of Socialism by their acceptance of social classification, and their desire to make such classification work as well as possible. Their aim is friendly relations and the desire to show that the real interests of labour and capital are the same, and that "neither can take advantage of the other without the common interest suffering." The statements furnished by the founders of such schemes continually repeat this as their ideal. "Some must follow and some command," but the best industrial leadership is that of the employer who commands not only the labour, but the enthusiasm and confidence of his employees.

Most of this work has required the resources and the power to take risks, as well as the sympathy, of large employers, and the schemes of great businesses both at home and abroad are so complete and elaborate that only large profits could bear the cost. In such cases it is always possible for the idea to arise that

profits must be very great indeed, and for the question to be tacitly asked—what proportion of them is given to welfare schemes ?

Most of the leaders in this new method of profit-sharing have taken the ground that it is remunerative to the employer. It is thus to be regarded as an investment which saves wear and tear, and creates a good feeling which is of real value even from the business point of view, and a statement of this kind does a great deal to lessen the objection to paternal relationships; and provided that a way can be steered between the ideas of philanthropy and of a purely business investment for the sake of industrial peace, there are two aspects of the welfare movement which always commend themselves. In the first place, there is the idea that the solution of some part at any rate of the industrial problem can be found by actual development of the conditions of work; that industrialism can solve some of its own problems by giving a wider meaning to the idea of employment. Just as in recent times the idea of education has been extended so as to include not only instruction but physical training, medical attendance, the feeding of children, the provision of play centres, and home visiting, upon all of which public funds may now be expended in the name of

education, so the idea of employment is being extended from the mere payment of wages for attendance in a factory so as to include responsibilities for health, recreation, and housing. A large part, that is to say, of the social problem is being attacked *through industry*, which is seeking step by step to evolve a higher idea of itself; personality is to be approached through that gate no less than by the teaching of ethical or moral or religious *ideas* of life; and whatever objections may be made from the point of view of democracy to the philanthropic nature of such schemes will become less and less as the idea of employment, like that of education, is felt to *involve* in its very nature this wider endeavour.

Further, all schemes of this kind are a return of some of the gains of industry to the very fields in which they were earned, and therein they differ from the application of industrial profits to wider public schemes, the benefits of which may not reach the people who have made them possible. It is better that the profits of a great concern should be applied, if possible, within the firm or at any rate within the locality of the business, rather than be entirely devoted to the foundation of Universities, or to wide social schemes at home and abroad.

So far as this can be done, the objection which was made by Mill to what he called the "outgrown" virtues of the protection of the working classes by employers will lose force. Employment will be made a wider idea, and the return will be made to the actual earners, who feel that their claim comes first.

A real change is made in the structure of the firm from the working-class point of view by the method of co-partnership. Under this system the employees of a firm become shareholders, either by creating a business whose capital is held by working men, or by obtaining hold of the capital of a private business. It is thus a stronger method than profit-sharing, and so far as it goes it overcomes the initial difficulty of modern industrial evolution—the separation between those who employ and those who are employed. In this form of reconstruction England has taken a leading part. It was one of the chief hopes of the economists and social leaders of the period 1830 to 1850 that a transformation might be wrought in the position of the working classes by some development of this system. The economist Babbage made the suggestion in 1832, and Mill gave it a prominent place in his proposals for reform. He hoped that, along with schemes of colonization which

might extinguish existing poverty, and of education which would prevent its recurrence, there would be a means of lifting the working classes into a position of authority in industrial affairs, as well as of sharing more fully in the proceeds. If the improvement of the people continued he thought there could be little doubt that "the relation of masters and work-people will be gradually superseded by partnership in one of two forms: in some cases association of the labourers with the capital; in others, and perhaps finally in all, association of the labourers with themselves"; and if mankind continued to improve he thought that the latter or completer result would be dominant. As such associations spread from small beginnings the workers were to be educated for each new step, and gradually the holders of great capitals would let themselves be bought out by annuities or some similar method, so that "the existing accumulations of capital might honestly and by a kind of spontaneous process become in the end the joint property of all who participate in their productive employment; a transformation which, thus effected, would be the nearest approach to social justice and the most beneficial ordering of industrial affairs for the universal good which at present it is possible

to foresee." No doubt, as he says, the task of overtaking capitalism legally would be a hard one, "but there is a capacity of exertion and self-denial in the masses of mankind which is never known but on the rare occasions on which it is appealed to in the name of some great idea or elevated sentiment." Capitalism would set the pace and take the risk of new things, but co-operation would overtake each new start and bring into industry a real democracy. This teaching was taken up eagerly by the Christian Socialists, who gave practical effect to it by starting the Productive Associations of 1850–54, and it was also closely in harmony with the teachings of Owen on the New Moral World. Although these early schemes failed, a stronger basis was given to the movement by the Acts of 1852 and 1862, which gave security to the investors against officials, and limited liability. Productive Societies have since then risen constantly in England, usually in close association with the Co-operative movement. In 1882 the Co-operative Productive Federation was formed to act as their common agent, and a further important stimulus was given to the movement at the Co-operative Congress of 1884, at which the Labour Association for the development of co-partnership was founded.

The object of this association was "to bring about an organization of industry based on the principle of labour co-partnership—that is, a system in which all those who are engaged shall share in the profit, capital, control and responsibility." It aimed at converting to this ideal first, the Co-operative movement itself, and secondly, the wider market of private trade; and we may say that at the present time the movement has branched in the direction of (1) Societies which have working people as their shareholders, or which hope as trade expands to find employment as workers for their shareholders,—these are of the nature of purely working-class associations; (2) Private Societies which pass, perhaps, through the stage of profit-sharing into a gradual transformation of capitalism; (3) Companies having worker-shareholders, but in close relation both by shareholding and by trading to the wider co-operative movement, and (4) the Co-operative movement itself, in which it is constantly hoped that they will develop a fuller sympathy with at least their shareholding employees.

Like profit-sharing, co-partnership is as yet a movement of limited extent, but it has behind it the force of greater enthusiasm and definitely unified organization. It is necessary to

discuss the movement from the point of view of the creation of working-class government in the general industrial life of the country, rather than from that of the creation of individual societies here and there in which working-class government is strongly focused. And the position which it seems best to adopt at the outset is that of understanding the difficulty of creating in the modern industrial world closed systems in which the worker, the shareholder, and the buyer shall be identical. It is scarcely possible to maintain coincidence of this kind; an identity of workers and shareholders will be difficult to maintain because the amount of capital which is required for a business or for its extension depends upon causes which cannot be made to march exactly in step with the amount of capital which a certain number of workers can supply; either they will not have enough and be compelled to call in the outside shareholder, or their capital will spill over the margin of their own firm and find investment as an outsider in other firms. Again, it is evident that a coincidence of the workers with the buyers is impossible to maintain for any individual business, since the meaning of industrial advance is that any particular product is supplied to a wider market with

a greater economy of labour. For similar reasons the shareholder and the buyer cannot be forced into coincidence. Even the Co-operative movement, in which an approach is sought to this ideal, is one in which the buyer can obtain his goods at a certain price only because the market for these goods is wider than the Co-operative, which takes only a part of the supplies of the industries from which it purchases. The facts as to the Productive Societies at present existing show how economic forces act against this ideal of closed systems, since their employees number only about one-fourth of their members, while their members are probably not more than one-tenth of their purchasers.

It is probable that if the ideal of co-partnership had been more to the front at the beginnings of the great industrial change of last century, there might by now have developed, by the accumulated force of profit and interest, a widely distributed working-class holding in the capital of the country. Even if the movement had begun on a small scale with something approaching a coincidence of workers and shareholders in certain businesses, by the end of a hundred years the capital thus growing would have ramified throughout the industrial system, so that the usual firm

of modern times might, through its working-class shareholders, have had a management in close sympathy not simply with its own labour, but with labour as a whole. One of the main difficulties of co-partnership is that the employment relation, in other words the system of capitalism, gained a long start, which forced a defensive movement in the direction of Trade Unionism, so that the struggle for working-class control over business has mainly been through the method of imposing conditions by bargaining. This method has both absorbed the main energy of the labour movement and in some ways it works more freely where the loyalty of the worker to his Union is not liable to be crossed by the holding of shares in the business for which he works. And it is evident that, Trade Unionism apart, it may well be more to the interest of a workman to hold his shares in any business rather than the one for which he works, since his risks would be better distributed.

Although the necessary result of a wide development of such schemes would be a diffusion of working-class capital, the movement gains force in its early stages by concentration of effort. A strong hold of the government of a limited number of concerns by the working classes gives the movement a stronger

start, concentrates enthusiasm, and creates a definite sphere for training in industrial government which could not be obtained by the dispersing of working-class savings in the general capital of the country; and further, what may thus be called the intensity of the co-partnership movement at its early stages has enabled it to stand in a close relation to the wide working-class market which is created by the Co-operative Stores. In both these ways the movement is nursed into strength. Its immediate difficulty is not the size of business which can be managed on this basis, for although 95 per cent. of the Productive Societies now in existence have a capital of less than twenty thousand sterling, as much as 80 per cent. of all companies registered in the last ten years are working on capitals within this limit. Its real difficulty is to overtake the start and to take jealous care that its force is in addition to and not instead of that of Trade Unionism. The first proposals of Babbage for co-partnership were frankly based on the hope that it would be a substitute for working-class combination, but as things are now the whole line must advance together, each playing its part in the endeavour to create a greater working-class control over industry.

CHAPTER VI

THE PEOPLE AND THE LAND

WHILE the combination movement of the nineteenth century has been generally accepted as an evolution which had to take place, it is with regard to the land that its results have been most criticized. A question of historical justice is usually supposed to be involved in the transition whereby the old system of small cultivators was changed, about the beginning of the nineteenth century, into the new typical English system whereby land is both owned and worked in large units. It is necessary, therefore, in the first place to consider the exact nature of the change which is commonly called the agricultural revolution. It took place during the same period as the industrial revolution itself and is closely connected with it. It was, like the industrial revolution, a slow process, and just as there are at the present time small domestic industries left to remind us of earlier methods of manufacture, so there are also still left in this country

districts which have been spared by the agricultural change and represent the ancient customs of English agriculture.

The domestic system of industry was inseparably connected with the cultivation of land. The household obtained its living partly from manufacture and partly from cultivation. The incomes from these two sources were supplementary to each other. So that the farmer, during the times or seasons when the land did not require his attention, became a weaver, or other members of his family might carry on carding or spinning. This is the double system of life carried on by a population distributed widely over the land which we still associate with the name of Merrie England, and it is evident that changes affecting manufacturing industry, if they resulted in withdrawing this kind of work from the farmers into large cities, would make it difficult to obtain the same livelihood from the land alone. The two revolutions, therefore, are parts of one question, and during the years of transition there were influences of a mutual kind between the growing cities and the declining agricultural districts. The result has been in England, as elsewhere, that a population which at the end of the eighteenth century mainly lived outside the cities has

come to live mainly inside great towns and cities. It is in this sense that the nineteenth century has seen a change which may fairly be described as one into "a new form of human settlement."

In order to appreciate the degree of consolidation in respect of the land it is best to begin with the facts so far as known at the end of the nineteenth century. We have no reliable official estimate as to the owning of land, and our knowledge is derived from more than one private inquiry, but the private inquiries which have been made [1] on the basis of the new Domesday Book of 1873 give results which agree closely with each other, and these results go to show that the number of persons who owned land more than an acre in extent was somewhat less than 200,000 in England and Wales, or about one in a hundred and seventy of the population. But this alone does not indicate the full degree of concentration which has taken place, for out of 33 million acres of enclosed land, about 15 million acres were estimated to be owned by about 2,250 proprietors, so that "nearly half the enclosed land in England and Wales belongs to a body numbering only 1½ per cent. of all the landowners, even

[1] By Mr. Brodrick and Mr. Shaw-Lefevre.

excluding those below one acre," and the fact that less than 200,000 could be called landowners at all may be compared with the position of land tenure at the time of the Civil War, when it is estimated that with a population of only 5½ millions England had about 180,000 small freeholders or yeoman farmers.

Just as estates in land have become gradually consolidated, so also has the farming of land. Large farming is the English custom. About 70 per cent. of the area of cultivated land is in farms of more than 100 acres. Of all Western European nations, it is England which has the largest average holding, the smallest proportion of cultivators who own their holdings, and of acreage owned by its cultivators. Of about half a million *cultivating* holders, only about sixty thousand are owners, or 12 per cent.

At the end of the eighteenth century, in more than half of the parishes of England the system of land tenure was one in which "common rights" played a large part. The holders of land in these districts represent what was left of the old manorial life of England. The feudal relations which had formerly existed in such villages had by that time passed away, and the cultivators held either by lease or copyhold or freehold. But

although the feudal relations were gone, the method of cultivation was still substantially the same as it had always been, and it is especially with regard to the transition which took place in villages of this kind by the process of Enclosure that a question of historical justice is held to be involved. In the rest of England, which had never been under manorial conditions, this problem does not arise. In these places the owner of the land was not bound by customs and concessions which had grown up in the manors. The distinction between the two forms of manorial and non-manorial tenure is specially to be observed by the existence or non-existence of copyhold. Copyhold is an outcome of manorial customs, and cannot exist except in such districts as were once under the manorial system.

In tracing the change from the old system to the new, two problems must be kept distinct. The problem of *tenure* affects the number of persons who were actual owners of rights or interests in the soil and the methods by which such ownership came to change hands; while the problem of *cultivation* is a different one, and is concerned rather with changes in agricultural methods which were rendered necessary by the circumstances of the time. But, as we shall see, these two sides

of the question interact on each other, and the nature of the transition may shortly be stated in this way,—that a change which was rendered necessary in methods of cultivation led, during its process, to changes in tenure and ownership.

The cultivation of the land in the manors was one based upon a distribution of the arable land for each kind of crop of such a kind that each cultivator held his land in a large number of small pieces. He held a certain amount in the field which was under wheat, and in order that the better and worse grades of land might be divided among all the cultivators, part of his holding was in one section of this field and part in another. It would not be unusual for the same cultivator to hold his arable land in thirty or forty or even more separate pieces; and the fields in which he held them were called "open-fields," because strips of land were not permanently divided off and fenced round. At the end of the harvest in each field, the whole of the land became commonable, so that every member of the village could turn his stock on to it for grazing. It was therefore of the very nature of the system that holdings were not enclosed, and that each cultivator had to make his way from one part of his holding to another

part by pathways across the open field. The appearance of the fields would be similar to that of a district in which small allotments are held now, except that in each of the great fields of the village the same crop would be grown by each cultivator. Each of the three fields of the village took it in turn to lie fallow in successive years. While it lay fallow it was commonable or open to the use of all cultivators.

Along with these holdings in the arable fields went rights over the waste land which lay round about each manor; according to the size of their holdings the cultivators had the right to turn stock on to the waste and to gather peat or fuel from it, and this right to use the waste was obviously of great importance to the cultivator, who could not turn his stock on to any part of his holding in the open arable fields. Further, going with the holding of each cultivator were holdings in the meadow-land of the village on which was grown the fodder for his stock.

It is plain, therefore, that at certain seasons of the year after the crops of various kinds had been gathered in, the cultivated fields of the village would, for a season, all lie open, and it lay with the cultivators themselves to determine the dates of harvest and of fallow,

to appoint officials, and generally to regulate the agriculture of the village. The lord of the manor himself held his arable land in the open fields like other people, though he was a holder on a large scale; his lands outside his park were as unenclosed as those of his tenants. This was the type of the English open-field village at the end of the eighteenth century. Different customs prevailed in different manors, the allotments in the arable fields being in some cases interchangeable in different years, while in other places the same cultivator would obtain the same allotments over again.

As to the nature of tenure under this system, at the end of the century the tenure might be any of the three forms of leasehold, copyhold, or freehold. Copyhold was the survival of the Villeinage of earlier times; and it was by virtue of their tenure in the arable fields, or in some cases of cottages, that the cultivators held rights on the waste. It is important to remember that at this time the lord of the manor was the person from whom these rights were held; that the cultivators were his tenants, and that the original grants of estates to the lords of the manor had been made long before. But he was bound by manorial customs, especially with regard to

copyhold, and could not when he pleased resume that degree of ownership over the manor which would enable him to act as he chose as regards the disposition of the land. In some manors the freeholders would be numerous and the power of the lord would be less. Other manors might be mainly copyhold and leasehold and his influence would be greater. Though he owned the estate in the land, his tenants were in various degrees owners of "rights" and "interests" which gave them, small as they might be, a security and independence which was of great value to them.

The great inventions reached their period of high development and were capable of application about the time that this country went to war with France, and the influences which broke up the old system of cultivation were partly due to industrialism itself, but were partly hastened by the necessities of the French War. Industrialism itself might not have created so quick a movement to the city had it not been that the life of the cultivators in the villages was disturbed by the need for a more economical use of the land.

England ceased to be an exporting country for wheat in 1792. Ever since that time some part of the food supply of her people has had to be obtained from abroad, and when the

Board of Agriculture was established in 1794, its Secretary, Arthur Young, in his travels through England, observed that the divided and open-field system of cultivation was uneconomical and prevented the full use of the land. Much time was wasted in going from part to part of the same holding ; land was wasted by pathways, and appliances could not be used to their full power on such small divisions. He became, therefore, an advocate of a system of enclosing the holding of each cultivator, so that everybody could devote his labour to one definite area of land within which his rights would be his own, during whatever kind of tenancy he held under. The "Goths and Vandals" of open-field cultivation were to be swept away. It has to be remembered that the growth of the population of the country was very rapid in the first twenty years of the century, and that it was most rapid in the great cities. The growth of cities implied that there was a great consumption of agricultural products by those who no longer applied themselves to the growth of such products, so that those who lived on the land had to support both themselves and the cities, and it required the most economical use of the land of the country to bring this about. Enclosure, therefore, meant an alteration in

the method of cultivation in the first instance, and it is generally agreed that it was a necessary alteration in the method. To "enclose" a parish meant to take its open fields and its meadow and its waste land and to re-distribute them among the owners of rights of any kind, so that they would obtain one enclosed holding which would be equivalent to their former scattered holdings in the open fields, and their rights of meadow and waste which went with each holding. The new tenure would be of the same kind as the previous one, a leaseholder would obtain a new leasehold, a copyholder a new copyhold, and a freeholder a freehold, but it would now be an exclusive and enclosed holding.

It was plainly the interest of the lord of the manor to make such enclosures, since the increased economy in the working of the land would put up its rental value, and it would obviously be the interest also of at least the larger freeholders in the parish, but it was not possible at any time for the lord of the manor or the freeholders to carry out enclosure. It would be necessary for the lord to wait until his leases fell in or his copyholds terminated (and some of these were not easily terminated) before he could enclose his tenants. Where there was a unanimous consent on the part

of holders of rights and interests of all kinds, a parish could be enclosed and re-divided, but where such consent could not be obtained enclosure would require some method of compelling those who objected. The typical method was therefore to obtain the consent of those who owned four-fifths of the value of the land. This did not imply a majority of the owners, much less of the cultivators, since in some parishes this percentage of the value might be owned by quite a few persons; but where consent to this amount of value was obtained, an Act of Parliament would be given which brought compulsion to bear upon the tenants and remaining owners, and an award would be made by the officials, who would survey the lands, investigate the rights of each cultivator, and re-distribute the fields of all kinds.

Now even when this was done with the fullest regard to the interests of all the holders, a very important change was made in the position especially of the smaller holders and cottagers. The economics of the change is a study in the value of common rights. The rights which they had formerly enjoyed on the waste and on the fallow fields of the village were essential to them as cultivators, and if they received an enclosed holding of a

small size they were then required to find room upon it not only for the raising of crops, but for the feeding of their stock and the growing of hay. They found after the change that even when the award had been made with the best intentions they were not in the same position as before. To share the use of an open common was far more valuable to them than the exclusive occupation of a small enclosed holding. The smallest of them found that they could not carry on all the necessary processes of agriculture on their enclosures, and they were ready, if any alternative offered, to take up a new kind of occupation. Such a new occupation was now offered to them in the cities, so that many of them gave up their tenure of whatever kind and their holding fell into other tenancies upon the manor.

It must be remembered also that the influences of the cities were felt, not only by offering alternative employment, but also in undermining the position of domestic manufacture. The supplementary earnings which could be made by the cultivator as a weaver, or by the members of his family as spinners or combers, began to disappear by the competition of the mills in the cities, so that he tended to leave the country for the city to swell

the rank of wage-earners, or to sell his labour as a wage-earner on the land itself.

Again, although many holders of rights in the open-field village had a good title, it might not be easy for them to prove it when the investigation took place which preceded the award. There is no doubt that some were driven from their holdings in this manner, and there were also instances in various places of fraudulent expulsion of some of the tenants. It might also occur that the smaller holders could not comply with the necessity of fencing their new enclosures, but these facts are rather incidental to the main question. The nature of the change was such that, although carried out with the best intentions, it did not in fact leave the small cultivators especially in the same position as before; the value of their common rights not having been adequately appreciated or allowed for. As these small tenancies were given up they would be added to other holdings or to the enclosure of the lord of the manor, and in this way the large farm began to grow. It is plain, however, that a lord of the manor cannot steal his own land from his own tenants, and that only so far as freeholders or copyholders on long tenure were expelled from the land was there an influence making for an

increase in the size of *estates*. This process of enclosure had proceeded during the greater part of the eighteenth century, but became very rapid between 1760 and 1840. It gave a new appearance to the English village and established new customs of life. By bringing seven million acres into the enclosed land of the country it enabled us to feed the growing city population, and to carry on a great war with produce raised at home.

We have already seen that at the time of the Civil War, about 180,000 small freeholders existed in England. Since the custom of family settlement began, they had gradually declined during the eighteenth century, and the first twenty years of the nineteenth century brought strong influences to bear on them which helped to reduce their number still further. During the war, when the price of wheat was on several occasions above a hundred shillings a quarter, land rose to a value of about forty times its rent. At such prices many of the freeholders were willing to sell, and there were those in the country who were willing to buy, even at such prices, because the rise of the industrial cities was creating a class of wealthy capitalists who wished to obtain the political influence which at that time, and until 1832, was closely

connected with the ownership of land. They bought out the freeholders, and large estates were created in that way; while those freeholders who did not sell during the war found themselves in a very difficult situation when, in 1815, "peace broke out," and great agricultural distress began. Many of them were then willing to sell at far worse terms than they could have obtained during the war. There was thus a reflex influence of the cities upon the land. Industrialism had offered an alternative to the small cultivator who could not carry on his small holding after enclosure, and had drawn agricultural labour to the cities. Afterwards it came back to the land with the fortunes which had been created, to buy out the freeholder.

As a result of this entire transition the lord of the manor found himself in possession of a larger enclosed holding of his own. Many small freeholders would have given way to large capitalist landowners, and by intermarriage between the new capitalist and the old landowning families further stages in the consolidation of estates would take place.

By about the year 1845 the agricultural revolution was practically complete. Enclosures which have taken place since then have been on a much smaller scale and are to

be set against land which has been taken from estates for roads and public uses. That is to say, what is now known as the English system of land cultivation had displaced in the open-field villages the old traditions and customs which limited the powers of the lord of the manor and maintained many small holders upon the soil.

In this transition, the smaller holders could have been retained only if their enclosed holdings had been made larger than in strict proportion to their claims as based on unenclosed holdings and rights attached. This line might have been taken, though the onus of proof would have fallen on its advocates. Even so, the smallest holders would not have been saved after the enclosure of waste. Enclosure was an invention which had to be used, just as mechanical inventions were used later which displaced agricultural labour. But the process of enclosure appears to have drawn attention to the previous and more important fact of the great estate. Things seem to have been made clearer by the fact of consolidation. It is not to enclosure that we owe the substance of the land problem in England, but to the far earlier proceedings which bestowed the great estates. Enclosure bears more than its share of the blame.

This process, however, does not explain why there has not also been a movement on the part of the owners of large estates to sell any parts of their land. It explains consolidation of holdings, but another influence has also been at work, whose effect is to prevent consolidated estates from being divided up again; and in explaining the English system of ownership of the present day we must go back to a force which has been in existence since early times, and which, both before and after enclosure, has prevented great landowners from dividing their lands. This is the force of entail or land settlement. Its general effect is, that it enables land to be added to great estates, but is a door which opens only one way, so that it is difficult for lands to come out of such estates. Entail, therefore, is a necessary part of the explanation of our highly consolidated land system.

History enables us to see how strong its influence has been, because there has been a time during which it was possible for landowners to break away from this influence, and this was the time when there was a great increase in the number of freeholders in the country. The story of the attempt to create perpetuity in the holding of great estates is of much interest. Entail is a system under

which estates are meant to be handed on from generation to generation without being broken into or diminished. For two centuries before the year 1472, when a great landowner held an estate to himself and his heirs, he could not part with the land and bar the succession of his heir, and this evidently prevented a distribution of the soil of the country among large numbers of freeholders. But in 1472 a method was found whereby, through a legal device, the present holder of the land could obtain complete power over it and divide or sell it to others. As a result of this method there was, between that date and the Civil War, a great increase in the distribution of land, so that small freeholders or yeoman farmers were the backbone of the Royalist cause during the war. This device was not made illegal until 1834, so that, but for the Civil War, there might have been a still greater increase in the subdivision of large estates. But owners of large estates during the war were in the difficult position that their lands might be forfeited if it proved that they had fought on the losing side. They did not know whether the close of the war would prove them to have been patriots or traitors. And therefore there came into common use about this time the custom of family settlement, whereby

the present holder and his heir settled the estate upon the eldest son of the heir, giving to the heir himself only a life interest when he succeeded. This custom of family settlement has never been given up, since family interests and sentiments have tended to perpetuate the methods of settlement from generation to generation, so that about two-thirds of the great estates of the country are now held in a manner which prevents them, or any part of them, going easily on the market.

It is always possible for the heir of a great landowner to refuse to enter into a new settlement, and he can therefore obtain complete power over the land if he waits till his father's death. But he is usually willing to resettle the land, both for family reasons and in order to receive an income out of the estate during his father's lifetime. So that the means which now exist for dividing the great estates of the country are only those of the Lands Clauses Acts of 1845, by which land must or may be alienated for certain public purposes, and the Settled Land Acts of 1882 and 1890, which gave powers to sell part of the estate under conditions of which the landowners have not, to any extent, availed themselves. Entail or settlement, therefore, keeps great estates great, and is to be reckoned along with war,

enclosure, and industrialism, as a main cause of the disappearance of the small landowner and cultivator in England. The opposite system prevails under the land laws of France and Belgium. The land must be divided among all the children of the owner, and the result is a far greater distribution of land ownership. The law of England does not regard land settlement as restraint of trade in land.

The land question did not reach the stage of a problem or a grievance until the last part of the century. Enclosure was practically completed by 1845, the eve of the repeal of the Corn Laws, but many reasons contributed to a postponement of a serious agricultural problem for thirty years after that date. The importation of foreign grain has increased steadily throughout the century, but from 1845 to 1880 it was not displacing the home product or diminishing the area of cultivation in England. It was supplemental and necessary supply, and the area of cultivation at home was further kept up by the wars abroad to which reference has been made. These thirty years represent a period of great agricultural prosperity in the country. Additional produce had to be raised, not by enclosing wastes and common fields or extending the area of cultivation, but by using

many agricultural improvements and developing the system of high farming. The value of the land of England increased during this period by about 300 millions sterling, and the effect of the intensive cultivation of the time was to make the wheat land of England more fertile to the acre than that of any country in the world except Belgium. It was only when the areas of foreign countries became more completely opened up by railway systems and better transport by sea, and after they had relief from their wars, that their supplies of grain began to create the problem which we now know as agricultural depression. This began to happen about the year 1880, when bad harvests in England were accompanied by good harvests abroad, so that foreign grain entered our market in large quantities, and has never lost its hold. The prosperity of our manufacture and our industrial capital in making or financing railway systems and lines of ships now struck at our agriculture, through the cheapness with which foreign produce could be brought to our market. It was only then that the acreage of arable land in England began to decline, nearly three million acres having been lost between 1881 and 1910, of which about a half is in the land under the staple grain crops. The land

question, therefore, which had been postponed since the Free Trade legislation, was raised again. When it was raised attention was drawn not only to the competition of foreign countries, but also to the disappearance of the small holders, and the movement for the restoration of the small holder became part of the general question of agricultural depression. The land entered into politics at the election of 1885 as an important part of the Liberal programme. The Settled Land Acts and the small holdings legislation, as well as the Protectionist movement, are all aspects of the same problem.

It is necessary, in discussing this question, to remember that every great industrial nation shows the same tendency for the growth of the cities to be much more rapid than that of the agricultural districts. The movement towards urbanization, as it has been called, exists all over Western Europe. It is creating in these nations the city type, whose interests are everywhere in industrialism so common that international organization now unites them for many purposes; but it is in England that the movement has proceeded fastest, so that at the present time more than three-quarters of the people are living in the great towns and cities. While there is no doubt

that the competition of foreign supplies of grain since 1880 has largely increased this movement, yet in discussing the restoration of the agricultural population it is necessary to consider what forces, of a permanent kind, there are, and how far it is likely that they can be successfully contended against.

Work upon the land is, like work within the factory, influenced by the changes due to invention, and our most recent information shows that the fall in the agricultural population of the country is not fully accounted for by the decline in the acreage under arable cultivation. A great deal is therefore attributed to the influence of agricultural machinery, which displaces and dispenses with labour.[1] But mechanical invention is constantly going on in the cities, and indeed the factory system is affected by it more powerfully than agriculture; yet the displacement of labour by such inventions in the great cities does not create any movement out of the cities, and the statement that machinery is coming into more common use upon the land is not an adequate statement of the influence tending to depopulation of the country. The difference is that the number of products which can be extracted from the land is small

[1] Cd. 3273.

in relation to the number of products which can be worked up out of the original materials of the land; though invention in the cities displaces labour, it usually creates a demand for other labour in the same or some other manufacturing centre. New city occupations and industries are constantly springing up as the result of such changes, but it is not possible in the same way to create new occupations on the land. Only a definite number of things can be grown upon the soil of a country, and mechanical invention leads to lessening opportunity for labour on the land as it does not do in the cities, because of this want of alternative. It is further to be observed that the mechanical inventions which affect any one product that is grown on the land, affect other products of the same kind, so that the opportunity for labour to move from one agricultural industry to another and to stay on the land is still further limited. The tendency of invention, therefore, by itself is to create this movement towards the city. That economic forces are behind this movement can easily be seen from the fact that it has proceeded through the whole of the century, both in the periods of agricultural prosperity and of depression. Porter, for example, calls our attention to the much

slower rate of increase of families engaged in agriculture than in other occupations between 1811 and 1831, the increase in agriculture having been only about 7 per cent., while trade had increased 27 per cent. He and other authorities call our attention to the drift to the cities even at this time, while the decrease in the agricultural population, and especially in the number of labourers employed, did not begin in recent times but at the census of 1831. The process of invention, therefore, when applied to both agricultural and manufacturing industry, creates a greater demand for labour in the centres of manufacture, and this is because of the far greater variety of occupations which come under the name of manufacture and which are carried on in cities as compared with those which can be carried on in the land. An invention which displaces some manufacturing labour usually implies a demand for some other form of manufacturing labour, and therefore maintains the city population, but this is not true on the land, whose industries are not in this compensatory relation to each other, and are liable rather to be affected together by the same improvements in method.[1] The mere

[1] A glance at the history of our crops since 1881 shows this. *v.* Cd. 5585, p. 82.

fact, therefore, that the number of persons engaged in agriculture has declined since 1880, does not specially mark off this period as one of depression. There are half-a-dozen manufacturing industries, including woollen and worsted, of which the same remark is true. There has been, during this period and since 1850, a constant rise in the wages of agricultural labourers. The fact of depression is to be seen rather in the combination of low prices with the decline of acreage under grain crops and the increase of the acreage under grass, and this is an influence which has created a fall in the value of land to the extent of about twenty millions per annum as compared with the Seventies. So far as this acts, however, it affects rather the great landowners than either the farmers or the labourers. And yet we find that even the landowners, whose capital it is that has fallen in value and rents decreased during this period, have not generally regarded the small holdings movement as being in their interest, so that the first legislation to this effect remained almost a dead letter. So that movements for restoring small holders to the land or for increasing the agricultural population of the country are aiming rather at some national result which is to follow from this, than at the

removal of adverse influences on any one class of the agricultural population.

The restoration of small holders or cultivators has therefore to be judged from the point of view of national strength. To those who are in the habit of living in great cities almost any form of agricultural life would be called depression, and the movement to the cities is partly due merely to superior social attractions. The national interest at stake is that the supply of labour to the great cities has depended throughout the century upon influx from the country districts, this influx being necessary to take the place, in the trades requiring physical strength, of labour which, in the second or third generation, becomes deteriorated by city conditions. It has been shown that this influx takes place between the years fifteen to twenty-five, so that the cities are recruited annually by the health and strength of the country at its most vigorous period. If the cities are to be able, then, to continue to maintain the manufacturing strength of the country they must be able to rely upon the continuance of this supply.

Now it is clear that the movement to increase the health of the population of great cities is one which tends to enable the cities to supply, in a greater degree, their own

labour, and a movement which aims at increasing the population on the land in the interest of the cities will itself be rendered useless if the Housing and Town Planning and Public Health Acts enable the cities gradually to dispense with this need. The land reform movement of recent times must therefore choose its ground with reference to all the influences concerned. The economics of agriculture enable us to supply our crops with a less expenditure of labour. It is not economic to force labour back to the land in the face of this tendency. The ground which would remain for this recent movement would therefore be the chance of still greater economy in cultivation by those who were farming their own holdings or were in a position higher than that of merely wage labour on the land. The example of Belgium shows that a country in which small holding is prevalent is also one in which the fertility of land to the acre has by assiduous labour been made very high; and in this way the small holdings movement would have as its aim an increased output due to a new interest and aspiration and would be similar in motive to the movements for co-partnership and profit-sharing in manufacturing industry, which expect to obtain similar results from small holdings in capital.

Legislation in this direction began in the Allotments Acts of 1887 and 1890, the Local Government Act of 1894, and more particularly in the Small Holdings Act of 1892. For fifteen years this Act was practically inoperative. The County Councils had no powers under it of compulsory purchase, and they were not of themselves the best authorities to administer an Act of this kind. They were apt to be composed of those whose interest was in maintaining the large estate; so that by the year 1908 only about 850 acres had been purchased under it. By the Acts of 1907 and 1908 compulsory powers have been given and the Board of Agriculture has been placed in a position of initiative and authority, which has enabled a much faster progress to be made. It has been shown in the last year or two that a real demand does exist, so that in two years land had been provided for about 4,500 applicants. But while new holdings are thus being created they are of the nature of tenancy far more than of ownership.[1] Against the "pride of possession" has to be set the "misery of mortgage," and the tenant who risks purchase money is liable to find himself without the reserve which he will need in a bad season. The operation of the

[1] 98 per cent. tenancy. See note at end of chapter.

Act, so far as the holding of land is concerned, will therefore tend to increase the amount of land which is owned by public authorities rather than to distribute its ownership among individuals.

It must be remembered also that there are other influences at work which are adverse to the small holder. The chief of these is the growth of urban areas. Small holders have been, in fact, slipping off the land faster than the new laws can place them there. There were fewer Small Holders in England in 1910 than at any date prior to the passing of the Acts of 1907 and 1908. A net increase has, however, been shown since 1908, which was the minimum year.[1]

It is, of course, possible that the agricultural position of the last thirty years may be affected by the need of foreign countries to retain their own supplies of grain for their growing populations, and signs of this have already appeared so far as concerns the United States, whose exports of grain to us are now irregular and uncertain. But the hope that a larger part of our agricultural area would again come under the plough for this reason is being dispelled by the opening up of still further areas abroad. There is still a great

[1] Cd. 5585, pp. 10-12.

margin available in the Canadian West and in South America, so that apart from protective legislation it does not seem probable that an appreciation of the value of agricultural land will come about in this way. In the last year or two indeed the area of arable land in this country has reached its minimum. So that the small holder, if restored to the land, must be capable of facing constant competition of this kind, and either of meeting it by any increased efficiency which comes from the fact of a small holding itself, or by the cultivation of other crops which may be more suitable to the *petite culture*. Great importations are at present being made of dairy and garden produce into this country from climates with no obvious advantage over our own, and it is possible that small holdings may prove themselves here, as elsewhere, adaptable to agricultural activity of this kind.

In any case, it will require a strenuous national effort to reverse or stem the current which has set toward the cities. The census of 1911 shows that the flow is weakening, but this is only because exhaustion can scarcely go much further. Neighbouring countries have made this effort by paying different costs on behalf of the land. Germany pays in her tariff, which has made a special *protégé*

of the agricultural interest. Denmark pays in her education bill. The system of rural education which is carried on in the land schools is meant to create not only a technical skill, but an enthusiasm for the nation and the land, and a social union of those who work on it.[1] The fruit of the ideals created in the land schools appears especially in the co-operative spirit which is fostered, and which has made this nation a type of successful organization on this basis. Belgium pays in the assiduous labour which her peasantry is willing to devote to an unfavourable soil. The feeling in England that "the land is sick" will not be overcome without some similar effort which believes in itself. We have not yet given co-operation, especially in credit, a fair trial. Ireland is now showing what possibilities had been checked for the want of it.[2] If the rush to the cities is now becoming weaker, it is the time to give the land its chance again.

[1] An account of these schools is given in Cd. 3537, pp. 105–129.

[2] The evidence of Denmark and of Ireland is that ownership, and not tenancy, is necessary to organized co-operation (*vide* Haggard's *Rural Denmark*). Hence the new "Land Reform" movement in England, to advance the purchase money from public funds.

CHAPTER VII

COMPETITION AND ASSOCIATION

At every stage in the movement towards combination in the nineteenth century the discussion has been renewed as to the place of competition in the industrial system. Every change in the direction of association might be regarded as a step towards suppression of the force of competition, and especially at the end of the nineteenth century, when industrial combination took its completest forms, it has been maintained that the era of competition is coming to an end and will be closed by the developments of the twentieth century. But while this historical view has often been taken, the analysis of the economic system is based upon the fact of competition, without which, indeed, no modern analysis could be made. From the latter point of view, competition is not merely one economic force among many, but is another name for economic force; and we have seen in the first chapter

that all the great changes in every kind of invention have been brought about under this stimulus. To those who analyse the industrial system the place of competition is similar to that taken in physical science by the force of gravitation. Just as bodies can be made to move upward by the use and control of gravitation, so it may be said industry can display various forms of association not because competition is suppressed, but because it is regulated and controlled. Since both the historical and analytical points of view are presented in writers of different sympathies, it is necessary to reach some conclusion as to the place and permanence and limits of this industrial force, and especially as to its relation to the force of combination.

We have seen how Smith gave to the idea of free competition a bad name, because he assumed that the competition of workmen or employers acting independently of each other was a natural order of things; but at his time competition could hardly mean anything else than the competition of individuals, and it is reading too much into his views to assume that he would have advocated in the nineteenth century the break-up of the various forms of association.

But the phrase Free Competition is made up

of two words which have each played a great part in the democratic movement. The democracy of the nineteenth century has made a claim for freedom in every aspect of social and political life, and so far it is entirely in sympathy with the ideals that have guided much legislation that has increased the field of competition, such as Free Trade or the Education Acts. On the other hand, it is as certain that the spirit of democracy has always regarded itself as opposed to some form of freedom which is implied in the name of competition. We shall find in attempting to reconcile these two attitudes an answer to the question how far or in what sense industrial evolution means the spread of competition and how far it means the contraction of its field.

That it is consistent to stand for the ideal of freedom in national life without accepting the competitive ideals of Smith and Ricardo is plain as soon as we recognize that the act of association by workmen or employers is a free act, and that to compel individuals to compete each for himself would not be a manifestation but a suppression of social freedom. The movement which is sympathetic to the progress of association and opposed to that of individual competition can quite well, there-

fore, be part of a movement toward liberty. And an even stronger point of view may be taken. For the development of association means rather that a new way of organizing competition is being tried than that competition is being abandoned; and it is, again, a manifestation of industrial freedom that we should be able to choose whatever method of organizing social forces places the supply of goods on the best basis as to cost and regularity and humane conditions of work. It was, indeed, in this way that Mill, spite of his strong sympathies toward every kind of industrial co-operation, refused to regard progress towards association as meaning the suppression of competition. It was only, in his view, a method of making mankind the master and not the servant of fundamental economic forces. The opposite of competition, in his view, is not association but monopoly. Where competition is not, monopoly is. Association is neutral as between these two.

But the real difficulty lies deeper, for it is certainly thought, whether rightly or wrongly, that so far as the democratic movement is in favour of association it is opposed to competition. Yet there is an open and conscious claim for a wider use of competition which

appears often in those same writers who, at other times, advocated the narrowing of the competitive field.

The spirit of democracy has constantly advocated the wider extension of what we may call "personal competition." There is a feeling that industrialism has created a social classification which often prevents the individual from rising to the position to which his faculties entitle him, and compels him to remain in a certain social grade. All these claims for greater opportunity, more open doors, more power to challenge any position in the State or in industry by any member of any class, are claims for the extension of the field of personal competition. It is felt that what makes social classes is not so much competition as the want of it. So that the greatest social hostility exists, not between those who compete with each other in the same grade, but across the lines which divide class from class—that is, across the lines where personal competition does not act freely. Educational legislation is perhaps the most powerful weapon of this movement, and status the chief object of its attack. It is plain that, if there is anything in the democratic spirit, personal competition must in this way continue to grow, and the nineteenth

century has seen a great advance in that direction. It is an essential part of the idea of freedom, not in the sense of Adam Smith, but in the meaning attached to the word even by social reformers. To suppress it is to enhance status and monopoly. The element of circulation which is required if national life is to be in reality an organism is to be obtained by seeing that the best work and the best ability are able to find each other by this means.

The case for personal competition has been well based by Mr. Cooley on the ground that in every generation there is a complete renewal of the persons who make up the social system. They come into the national life with no sign to indicate what they are fit for, and the only way in which this test can be made is the way of free experiment. The causes which make genius are as yet inexplicable; the laws of heredity have not explained them. Opportunity and knowledge of opportunity are, from the national point of view, the friends of the discovery of ability. A nation's investment in the extension of opportunity and the knowledge of it, mainly by educational legislation, is well repaid, as Professor Marshall points out, by the discovery in a generation of one Newton or one Darwin. What bears most severely

on the individual in this respect is the fact that in experiment with one's own faculties it is not possible to cancel a failure and begin again. So that personal competition requires not only full opportunity, but the fullest possible knowledge of the nature and requirements of each opportunity that is open.

This form of competition to which democracy is consciously sympathetic, and whose extension it desires, has been also called "Selection," implying that it is a means whereby society as a whole shall have the power to choose its best men from any grade. By the use of this name it becomes distinguished from that other idea of competition which is a narrower use of the word, and refers specially to certain industrial relationships. Selection implies that classes remain, but not the individuals in a class. But although it is a different idea from that which is usually attacked under the name of industrial competition, there is a relation between the two. Selection acts upon industrial competition, because if we increase the power of the individual to move from lower to higher grades we distribute more evenly the amount of competition which takes place within each grade. Absence or limitation of personal competition means that in some crowded

grades the struggle for existence becomes very keen and is brought down to a level that is not reached in higher grades, the entrance to which is in some way privileged. It is evident that if the whole social system became, through the widest possible exercise of personal competition, a continuous system, greater extensity of competition would carry with it less intensity in some grades; the earnings of every kind of work would become more closely related to those of every other kind.

The form of competition, then, to which the democratic movement has been opposed, which we may call industrial competition, relates to a special way of organizing competition in a special field of life. The development of association has brought this force under constantly greater control. We shall see that even the highest forms of association do not abolish industrial competition, and what most try to do is to understand certain defects which have been so great as to give a bad name to the industrial force itself, defects which by organization we are always seeking to remove while keeping whatever is good in competition.

So far as the nineteenth century is concerned, these defects are connected with the operation and the structure of the firm as the type of organization or competing unit. We have

already seen how the internal structure of the firm creates problems connected with the relation of employment; we have now to look at its "external relations," as they may be called, in respect to the market, for in modern industry the competition of individuals is secondary to, and depends upon, that of firms. It is the latter which create the market conditions which determine the intensity of industrial competition among individuals.

Certain aspects of industry, as organized in firms, have developed in the nineteenth century which have made industrial competition intensely severe. The words which we commonly use in describing industrial affairs themselves show this. The metaphors most usually applied now to business are military metaphors. We speak in England of the "captaincy of industry," of the "fight for markets," and of the "industrial reserve." Among foreign writers similar phrases occur. In France the competition of the market is *la lutte*, in Germany it is *Konkurrenz-kampf*. We speak frequently everywhere of the strategy and tactics of trade. Now the aspect of the firm out of which this arises is its completeness as a unit for producing goods. In the great industries of modern times it is only the firm which is an efficient

producer. The individual has, since the days of handicraft and domestic industry, lost the power to cut a way through to the market for himself. He is no longer the producing unit. In modern industry he depends upon other individuals; he cannot work for himself. We have seen that he cannot create his own reserves of labour and hold them back, but he cannot even independently apply his own labour. An example will show this. If all but one, or all but a few of the employees in an industry lost or gave up their occupation, the others would not have monopoly or high wages, but unemployment, for the labour unit is large and the individuals are really dependent upon each other for work. But if all but a few of the firms in a trade gave up working, the remainder would not be thrown idle, but would have monopoly and high prices. There is a self-sufficiency about the firm which does not belong to the individual in modern conditions. It fights for its own hand; it can create its own reserves of goods; it can hold back these reserves against a better market; it can, because it is a complete unit, obtain credit in bad times; it is in no one's employ; what it has to sell goes upon the whole of the world's market; it is a complete fighting machine, and in most recent times it is making itself still

more independent and self-sufficient, by obtaining control both of the materials which it uses and of the means for getting right through to the consumer by developing further stages of production and marketing for itself.

It is this completeness of the individual firm which gives us the problems of industrial competition. As far as possible it seeks to obtain a monopoly; that is the very meaning of industrial competition, the attempt to obtain a monopoly. Every firm has, indeed, some degree of monopoly. There are some clients with which it has running contracts, or on whose custom it can count; there are others with which it has a less certain good-will, but beyond these there is an open market of the unattached buyer, whose custom it must seek to obtain and keep, and in this contest its best defence is attack. To hold the position which it has it must watch constantly for new openings and opportunities. The result is that each for itself seeks contracts and produces goods. There is, apart from Trusts, which we must deal with later, no common policy by which the total output of goods is adjusted to the total demand for them. There is, apart from Trusts, no division of the market. The supply of goods by any one industry is not under the conscious and

central control of any one director, and therefore the contest which is carried on by each for itself results in an over-supply of organization, or an output of goods in excess of the total demand for goods, and when such excessive supplies take place the market, from the point of view of the firms, becomes depressed. There is what is called an over-production. This does not mean that there are too many goods in existence, but that there are more goods than can be sold at a price which will cover the cost of producing and selling them. From the point of view of the consumer a price is a scarcity mark, and everything which has a price at all is not over-produced so far as he is concerned. But from the point of view of the firm the price in a glutted market falls so that it does not cover costs, and the competition which tends to bring about this result at recurring intervals is in this way regarded as a tendency to over-production and depression, and the depression extends to those who are employed by the firm.

We may contrast, for example, in this respect, the industrial competition of firms and of the workers within a firm. No doubt the workers compete with each other for work or for promotion, but they are not allowed to overlap with each other or to work without

reference to each other, or to try to take each other's work. Every one's place and duty is assigned to him by the conscious direction and control of the manager. It is competition under conscious regulation. There is no such control of the firms themselves. The completeness and independence of the firms means that no one employs them and assigns them their work, as they employ their men.

Another feature of this which has become more marked in the nineteenth century is the increasing risks which great firms carry. Invention has brought it about that for the most economic production of goods there is needed a greater investment in fixed plant and machinery. Whether a firm produces much or little, these fixed charges remain and must be paid. The greater its output the more it can distribute these charges over every pound or every ton of its goods, and the lower it can make its price per pound or per ton. In order, therefore, to hold the market by offering its goods cheaply, and in order to cover the risks of its fixed investment, it must use every means to extend its output, and this implies that it must often speculate for a market. It gets caught in the system, and when we are considering the tendencies to these recurrent periods of depression by excesses of

supply, it is plain what a driving force there is in the fixed investments that modern business requires.

This, however, is not yet a full explanation of the evil results of industrial competition as they affect working people. We have still to ask why it is that depressions of this kind recur not in one industry alone, and not even in every great industry, but in all these industries at once. The wave motion by which industrial evolution proceeds means that times come when the market and the labour of each industry are in the same position of depression. Our figures of unemployment, for example, would be at any rate steadier and probably less if the depression of one trade coincided with the activity of other trades. And even in any one trade competition by itself implies that what is loss of trade to one firm is gain by its rivals, so that thus far we have not an explanation of these periods when all the competitors together, as well as all the large industries, are suffering from depression.

To explain this we must take into account, in the first place, the credit relations which exist between firms in one trade and those in another. The financial interconnection of industry has in this way become very great. A disaster to a few large firms in one industry

will spread itself over other fields of industry also. And again, from the side of workmen, a depression which means some degree of unemployment or of low wages in one trade implies less purchasing power over those final commodities of other trades for the sake of which all stages of production exist. So that an adverse influence on purchases of final goods is spread backwards over the industries which produce the goods which make these final goods.

In the second place, there is a common dependence of all industries, upon the supply of credit that can be given by the financial system. In England especially the organization of credit is such that a tremendous structure is built up upon a very slight basis of gold. About twenty thousand millions of credit transactions are dealt with in the clearing houses of our banks every year. Against this there is held at any time in the Bank of England forty to fifty millions of gold. This organization is as powerful as it is delicate, so that not only the difficulty of one industry but even the difficulties of a few very large firms would create a strain upon our credit resources which would extend to all industries together. Through the common medium of credit, therefore, a serious depression brought about by

the existence of industrial competition in one industry causes other industries to find themselves in difficulties, and we have the result, which is seen in the wave motion of all industry in the nineteenth century, of depressions that are chronic and recurrent and general.

Since it is evident that many of these defects of industrial competition are due to separateness of organization and of policy it is a matter of course that combination, or a further degree of combination, is necessary to their remedy. Something has to be done for the firms themselves such as is now done within the firm by the management in arranging the work of the employees. Any common government of this kind will tend to prevent not only those depressions which come from over-trading under the influence of competition and risk, but also those forms of panic that are due rather to the fear of bad market conditions than to actual conditions. Nothing is more infectious in an industry where many separate firms are competing than the influence upon any one producer of a local glut or over-supply. He sees a certain quantity of goods suddenly thrown into his own local market, probably from abroad. The amount of this import as compared with the whole amount that is

produced by all the firms at home is insignificant, and ought not to have any effect upon the home price. If the home industry were regulated by a common government it would be seen that the import presented no danger; but when many separate firms are responsible for the output at home, one of them finds that this import is considerable when compared with its own output, and therefore instead of holding steady it lowers its price, thereby practically adding to the supply which is said to be " dumped." Another firm in the same quarter of the market is in turn influenced by this larger quantity at a low price, and it also must try to hold its market by making reductions. In this way a depression spreads which is not justified by the real conditions of the market, but is due to the separate policies and calculations of individual firms. A common government which perceives the true proportion between a low-priced foreign import and the total home supply is not influenced by panic of this kind, and is able to hold the home market in a steadier condition.

There is, in fact, always some degree of combination even between competing firms, apart from any deliberate desire to combine. The very fact that a number of firms are pro-

ducing in the same district means that this district comes to obtain railway and shipping facilities and public services which are worth giving because the volume of manufacture is on such a scale, and would not be worth giving to scattered firms. Each firm, therefore, obtains the use of many local facilities of that kind just because there are other firms working in the same district, and it also obtains a share in the good-will of the locality itself. The forces of industrial evolution have made it profitable for the great industries of a country not only to be centralized—that is to say, to work in one district given over specially to the production of certain goods; but also to be localized—that is, to work in certain districts having special advantages for their own forms of production. And the working of these two forces of centralization and localization of industries has made these common economies in which each business shares. Further, there is a certain degree of combination even between competing firms through the practice of insurance, whereby all of them subscribe in order to support any individual firm if it should meet with certain special losses; and finally, there has been a great development of opportunities by means of Chambers of Commerce, Institutes, and trade journals for

the discussion of matters affecting the interests of a whole industry. Competition, therefore, works within the grip of a certain amount of combination, so that the remedy for the defects of industrial competition is to be sought by a fuller and more conscious development of a force which is never entirely absent even from competitive industry.

And, as combination develops further, the field of private trade itself has to take account of what is best in competition while correcting its defects. As we shall see, means have to be employed to keep alive this test of efficiency, not between individuals only, but between works, even in the strongest forms of modern combination, and it is in this way that we have to read the opinions of great authorities as to the "necessary persistence of competition." "No one," said Mill, "can foresee the time when the stimulus of competition will not be indispensable to progress." And he adds that "instead of looking upon competition as the baneful and anti-social principle which it is held to be by the generality of mankind, I conceive that even in the present state of society and industry every restriction of it is an evil and every extension is always an ultimate good." Mill's sympathy with industrial co-operation in every form was very

strong, and statements of this sort must be read as meaning that he desired under any form of industrial co-operation to maintain, although to regulate, the test of efficiency.

Indeed, the relation of the two forces to each other when they are made to work together is even closer than this. For it is only by some degree of combination that we can obtain for the benefit of industry certain elements which used to be ascribed to free competition. An argument like that of Adam Smith on behalf of the right of the individual to invest his labour and capital as he thought best assumed that each individual had both a perfect knowledge of the market, and also a perfect freedom to move his labour or his capital from place to place, It was on these assumptions that the equalizing influence of competition was founded. But in fact knowledge and mobility are elements of competition in the ideal, which do not belong to actual competition until it is regulated by some degree of combination. Capital has gained mobility through the development of the large business and Joint Stock; and labour has gained in power to move from place to place through the help of Trade Union organization; while the organizations of both labour and

capital have helped each individual to obtain a knowledge of the market outside his own locality which it would have been difficult, if not impossible, for individual competitors to obtain. Combination, therefore, makes actual in competition certain elements which without it belong only to competition in the ideal, so that even the benefits of competition are only obtained by alliance with this other force.

The interlacing of these two forces in industry means that there is usually both an individual interest and a common interest to be allowed for. The individual claims the right to measure himself against every other individual, that is his interest; but the common interest must guard against the results of pure speculation in competition of this kind. To compete efficiently and combine adequately is the mark of industrialism in nations that are both progressive and sympathetic.

Of the two forces in Western civilization, it is combination which tends to come too late, and competition which tends to last too long. Competition has been the more prompt and willing of the two influences. The building-up influence of combination has lagged both in practice and in public approval.[1]

[1] *v.* Cooley, *Personal Competition.*

We must now proceed to consider the typical forms of industrial government as they exist at the end of our period, in which the spirit of combined working has constantly gained greater force.

CHAPTER VIII

TYPES OF INDUSTRIAL GOVERNMENT

THE end of the nineteenth century shows us in the field of industry three main types of government, all of which are highly developed results of the Combination Movement. So far as we can see, each is suited to extend over a certain part of the field to which its form of government is at present the best adapted. There is, in the first place, the wide field of capitalist industry, in which the problems of competition and of adequate capital have been met first by Joint Stock, and in most recent times by the Trust. There is, in the second place, a field of industry also under the government of private capital, but the control of which is so widely spread among the people that it forms an industrial democracy rather than a capitalist undertaking. This is the field of co-operative industry, limited as yet to those goods of which the working-class shareholder perceives that he is a direct

consumer. And in the third place there is a growing amount of industrial government which is in form of a public kind by the development of schemes for municipal trading. Here also, as will be shown, it is the nature of the goods which marks out the scope of the form of organization. All three are growing in strength as the twentieth century begins, and if we try to forecast the shaping of industrialism as the new century advances we must consider not only what are the economic limits of each of these forms, but also how far questions of policy and expediency are likely to arise in connection with any of them.

I

Municipal trading is the most recent of these systems of government, its history in this country extending back about forty years, but its development has been a rapid one, so that it is now in existence for one industry or another in most of the municipal corporations of England and Wales. At the opening of the new century two hundred and ninety-nine out of a total of three hundred and seventeen corporations were carrying on reproductive undertakings with a total capital of about 120 millions sterling. These undertakings repre-

sent the main public services which are at the basis of the industry and life of great cities, especially the supply of water, gas, electricity, and tramway service. Every political voter has a share in the control of all the industry of the nation, since there is nothing in this country which Parliament may not do in the way of industrial regulation or appropriation of industrial revenues. But the policy of direct public government of industry is still in this country mainly local, and is the chief cause of the building up of a heavy local indebtedness. The post office and the coinage are as yet our only nationalized industries.

This form of industrial government is suited to goods and services that are of a special kind. Their first characteristic is that the market for them is always a local one. This is obvious in the case of services such as street transport or harbours, which can only be rendered for each city or town within its own area, and cannot be produced for it anywhere else. Tramway service is not like iron or wheat. It cannot be produced at a few great centres and distributed all over the national market. A service must be produced on the spot where it is rendered. And the service of one city may cost a quite different price per unit from that of other cities, without

there being any competition between the two. If the cost of tramway service per mile is twice as high in Leeds as in Sheffield, that does not enable the Sheffield trams to compete with those of Leeds. Each district is a separate local market for such services, and the same is true of certain goods such as water and gas and electricity, the supply of which is very similar to the supply of local services. It is not impossible, if the price of gas is much higher in one district than in another, to transport it from the cheaper to the dearer place, but practically the manner in which gas and water are supplied in any district prevents competition of this kind, so that these goods become fixed to local markets after the manner of services. It is to such local monopolies that municipal trading is at present (with some very unimportant exceptions) limited. This form of government is based, in the first instance, upon the fact of local monopoly of supply.

In the second place, there is a strong tendency to unify the supply in each locality. The reason for this is that the fixed charges in these industries are very great. They require not only a producing plant, but a distributing plant which extends like a nervous system over the whole area supplied. The cost of

these fixed means of production and supply forms a very large proportion of the price of the goods or services. Since this is so, to duplicate the manufacturing or distributing plant would be unusually expensive and wasteful; the market being only a local one, all the expense of such competition would have to be paid for in the price of the goods by the consumer, who would have two capitals to maintain. We have seen the history of such duplication of the fixed plant for public services in the case of the American railroads, where a wasteful competition has at length been superseded by strong combination. Heavy fixed charges always make it economical to unify the supply, so that these goods and services, besides having local monopolies, lead towards further monopolies within each locality.

But there is another consideration. These industries are, in a certain sense, privileged. The laying of their distributive plant requires that they shall have certain rights to use the streets or lands of the city. It is this fact of privilege which soon raises the question how far such concessions should be made to private companies, and whether the industry itself is not very closely related to the activities of the municipality. In any case it is clear that

the municipality must regulate such industries in a special way, must limit their rights and their prices, and watch carefully over their administration. It becomes a short step to public ownership, and the step is made easier because of the fact that a public body, when it takes over municipal trading, does not enter into a competitive field, but is concerned rather with the duty of local administration than with the risks and speculative demands of competitive enterprise.

It is probable that public trading of this kind will greatly increase its scope, and there are many advantages which follow upon it. For instance, it is an advantage that there should be public industries not worked solely for profit which can come to the relief of the labour market when there is a depression in private trade. Extensions or alterations of public work can be planned out and to some extent reserved, especially when these works are of the nature of large schemes of city improvement, which require some time for their completion and can be carried on at a faster or slower rate according to the conditions of the market. It has been found, for example, that in Prussia the public ownership of the railways has given the government this influence towards steadying conditions

of labour. Again, although labour disputes in public services cannot be entirely avoided, municipal ownership helps to prevent their arising or being discussed simply from the standpoint of immediate material gain, and an opportunity is offered for public conditions of model employment by which standards of pay may be set for certain forms of work. To this end a Fair Wages clause has already been widely adopted by municipal employers.

On the other hand, it has been traditional to regard public industry as making less for efficient service than private. On different grounds many people are afraid of the rule of bureaucracy in industry. For instance, it may be said that a city council does not necessarily include experts who can guide its policy in the management of public works, so that these works become less subject to the criticism which makes for high efficiency. To this may be answered, first, that public criticism is kept alive by the comparison of one city with another in the cheapness and efficiency of their services. Reference to the local press shows how constant criticism of this kind is, and how it bears upon the public officials of any city. And secondly, that the quickness and promptitude in accepting or undertaking risks which are needed in competitive

trade, are not required in the same degree in administrative trade.

It is impossible to say that municipal trading will not extend beyond those goods and services whose special features at present give a field for this form of government, but if municipalities should enter upon the supply of competitive goods which move freely over the national market we should have a form of public trading which would call for a new kind of ability. It is for this reason that we cannot regard the large and increasing amount of public municipal trading in these goods and services as by itself showing that industry in general is on the way to be brought into public hands. When a municipality enters with success upon the local supply of iron or wheat or textiles, we shall have a new fact. At present we are able only to point out that the special nature of certain local industries is such as to make them suitable for successful administration by public bodies. It is administration which is in point, rather than the technique of manufacture or the complex problems of open competition.

II

The development of Trusts has also been a feature of the last forty years of industrial

evolution. Special conditions in a few of the great industries of America, especially oil and sugar, gave rise to a strong movement towards combination of producers at the beginning of the last quarter of the century. The opposition of public opinion was at first very great and the movement spread slowly until the last decade of the century. The depression of 1893 and the rising market which followed until 1900 saw a great extension of this form of government both in America and on the Continent. At the present time some of the most important industries of the most advanced Western nations have been brought under the rule of a small central government, which, in the case of America especially, gave great industrial and social influence to a small circle of men. Although public opinion cannot be said to have become reconciled to this result, the law has allowed the development to take place and the official census itself gives us details of their organization and management. The size and importance of organizations like the Oil Trust and the Steel Trust have led to perhaps an exaggerated idea of the extent to which private trade has been unified. At the end of the century the Trusts in America employed about 8½ per cent. of the labour, paid about 9½ per cent. of the wages,

and produced about 14 per cent. of the output of the great manufacturing industries. What specially commands attention is the rate at which this movement has grown and the importance of those industries upon which it has secured a very strong grip.

Under the general name of the Trust Movement are included two forms of combination of producers which in many ways are in contrast to each other. East and West of us we see a remarkable difference between industrial and political methods of government. It is in the great industrial democracy of the United States that industry has taken the Trust form—that is to say, the form of a government which places the decision of policy in the hands of a very few large capitalists, and is in some cases almost an industrial despotism. On the other hand, it is especially in Germany, whose political government is still a powerful monarchy, that this recent development in industrial affairs has attempted to keep a degree of democratic government, so that the firms which combine do not entirely lose their independence. Although the Trust and the Cartel are both aspects of the same force of industrial combination there is a marked difference in method between them.

The field of industry in which both have

developed has been that of goods which are subject to strong competitive influences. Our evidence goes to show that most of the Trusts and Cartels have been, in their origin at any rate, defensive movements. There is no competition so keen as that between large independent firms, because the risks they carry are unusually heavy and the reward of successful competition is monopoly. The fight for the market, therefore, led to wasteful expense in agency or advertisement, to long periods of selling below cost, to overlapping in the market, to industrial depressions and breakdowns of credit. And a tendency toward excessive investment of capital was created by the high tariff policy of America, which tempted new firms to enter into many staple industries, so that over-production and excessive competition soon demoralized the market. Then came the idea of combination. Some idea of the intensity of the competition which led to the Trust movement may be gathered from the number of works which were shut down after the Trusts were formed. Out of twenty-four firms which came into the Sugar Trust it was found possible to supply the whole market with only six; while out of eighty firms which came into the Distillers' Trust it was found that sixty-eight were superfluous. The

capacity of the Steel Trust for finished products in 1902 was nearly 60 per cent. greater than the greatest actual annual output of finished steel ever reached previously in the United States. Only after much wasteful investment had already been made, therefore, did the Trusts arise in order to form a central management which should do for the various independent firms what the manager of a business does for his staff. The government of a Trust became the employer of the firms. It arranged for a division of work and of the market and diminished, at any rate, the area, while it regulated the force, of competition in goods which are not tied down to any locality, but whose market is the whole world.

To the government of a Trust we may apply the expression which has also been used of a more democratic organization—that it is "a State within the State." From its central government a Trust rules many local concerns and decides on problems of policy according to the circumstances of different localities. It decides where prices are to be held up and where they must be kept low. Not only do the strongest Trusts administer the affairs of an industry within one nationality, but they have their colonies abroad, or seek to obtain agreements to divide the markets of the world with

great foreign organizations like themselves. The problem of the Trust is indeed the weight of responsibility and of government which falls upon the shoulders of a limited body of men. It is more than a captaincy of industry that is required; for the problem of extending the market, which is the fighting part of its work, is combined with the problem of holding together the great concerns which have been taken over, and keeping many separate managements adequately under the inspection of one central Board. The greatest bar to the success of Trusts is the problem of management. The usual method is to supervise the management of each individual works by demanding from it daily or weekly accounts of costs in relation to output and wages. It is only by this means that a Trust is able to maintain efficiency within its own organization. It plays off one manager against another and keeps each up to the mark by a premium on special efficiency as compared with other managers, or by sharp criticism if his accounts show less than the average results. But it is plain that this is a work of extreme complexity and difficulty, and that the chances of internal friction in the management of Trusts are very great. The central government is in this case master of the local managements, and must

therefore carry upon its own shoulders details and problems which in a more democratic organization would be left to the local managements and would not reach the central body at all.

The weight of responsibility which Trust management carries is increased when a Trust finds itself faced either in fact or as a possibility with a Trust in the goods which it has itself to buy. The great combines, in order to protect themselves against this, have been compelled to increase their already heavy organizations by taking up other stages of production. This is now becoming a common feature of the great industries. Thus the Steel Trust does not only produce steel, it uses its own supply of ore, its own coal and coke and limestone, smelts its own iron and carries it through all the further stages of manufacture. This is a second defensive movement. It makes the structure of a Trust more imposing in size, more wonderful as an example of industrial government, but more liable to risks and strains, especially when it loses the great personalities which have founded it and built it up.

It is not solely under the stimulus of private profit that the great leaders of the Trust movement have worked. Most of these men

have come to be beyond the need of accumulating personal wealth. Their business has become the expression of their personality, the thing they do for the sake of the work and of succeeding in it. In America especially, where there are no ranks or titles, the success of a career depends upon some other kind of social influence and power. The captain of industry cannot, in that country, retire with a peerage. To keep his influence he must go on, making his business his life, and building it up from strength to strength, until he becomes an oil king or a steel dictator.

From what has been said of the inside structure of Trusts it is plain that they do not extinguish the competition which formerly existed between firms. On the contrary, they are anxious for the sake of efficiency to keep this competition alive, and do so through the system of obtaining and comparing weekly or daily accounts. The former competition between the firms is now regulated. There is an endeavour, that is to say, to obtain the advantages of competition under conditions of industrial combination, and this system is of interest as showing on what lines industry might proceed, if any parts of it ever became nationalized, in order to ensure a high standard of work.

But Trusts have always had outside competition to face also. To some extent they even encourage new competition to arise. Even a small margin of outside supply interferes seriously with the regulation of trade by a combine. We have seen, therefore, new forms of competition which have been used by the Trusts in fighting the independent firms. It is only since the rise of Trusts that we have learnt what competition is capable of by the use of such methods as the boycott, the rebate, and the differential price or rate. The era of competition is not nearing its end merely because through great industrial combines a great part of the field is brought under a stronger control; and there is no prospect that competition with outsiders will become less severe.

When we look at the European form of industrial combine, the Cartel, the conditions are somewhat different. In the Trust everything is ruled downwards from the centre, and the rule is in the hands of comparatively few men. The Cartel is built up in another way. The firms which enter into it do not lose their independence; they are not bought up, and do not become merely agents of some central committee; they enter into an agreement for a definite number of years that they

will regulate their output and fix their prices according to the decisions of a representative body to which each firm sends its delegates. A kind of producers' Parliament is formed, but the internal management of each firm remains with its own shareholders. There are many advantages in this method of regulating competition. It does not make for the dominion of a few great magnates as the Trusts do, and it avoids the problems of internal friction which result from the authority of the central government of a Trust. The Cartels ensure that the agreement between the firms shall be kept by forming a central bureau through which all the sales of all the firms pass. Each firm agrees not to sell directly to the market, but only through the bureau. In this way the price or the output which has been agreed on is kept at the level which the whole conditions of the market seem to require, and no individual firm is able secretly to lower the price or exceed its share of the output. The Cartel is the best working model of democratic government among producers' organizations. In many ways it resembles the third type of combined working which we have chosen for discussion—the Co-operative movement.

III

The Co-operative movement represents the largest amount of direct working-class control over production. About one-fifth of the people are represented in its membership, and they are now carrying on, by a highly developed system of representative government, a trade of more than 110 millions per annum on a share capital of 35 millions, and with a profit of over 12 millions a year. This system of government is built up upon the freedom of the local society, which is responsible for the management of its own affairs and is not bound to deal with the Wholesale, which is the common distributing centre of the 1550 societies concerned. Co-operation is a system which avoids many of the risks of business, partly by the nature of the goods in which it deals, and partly by the terms upon which its share capital is held. Its goods are those of what may be called the "home trade"—the things that are in common and steady demand in the homes of the people. There is the least degree of risk in dealing in such goods, and it is known that Co-operative sales suffer less than other forms of trade in a time of depression. They are goods, too, in which changes of fashion

are of less importance, because they are final goods and are sold to the persons who use them last. Goods in which the producers' risk is very great, such as the machinery which helps to make the goods of the home trade, and is itself liable to change by invention, do not enter into the Co-operative system of manufacture. Whatever be the technical changes in the instruments of production, there must be a constant demand for the standard forms of food, clothing, and household goods. Again, the risk of Co-operative trade is lessened by the method in which its profit is distributed. The 2½ million shareholders in the movement make an annual net profit of over 30 per cent. on the share capital, but only 5 per cent. of this is paid upon the basis of the share capital. The rest is distributed to the shareholders whose capital has earned it, but it is distributed in proportion not to their capital, but to their purchases. In view of the fact that the consumer is also the shareholder, the Co-operative system is as fully a producers' as it is a consumers' organization. Its capital is very widely distributed, and it chooses to distribute its profit on a method of its own, but the profit goes to the shareholders in this business, as in any other

business. Were co-operative profits divided as the profits of a Trust are divided, the same people would receive them as receive them now, but they would receive them according to their capital instead of mainly according to their custom. This system of distribution of profit gives a sure market for the goods of co-operative bodies. The goods supplied are just those which the shareholder wishes always to use, so that it pays him both as a consumer and as a producer to attach his custom to his own society. And it is because each subscription of new capital in the co-operative organization brings with it a guarantee of custom that the problem which occurs so constantly among Trusts of what is called "over-capitalization" is absent from the Co-operative movement. A Trust finds often that it has more capital than the custom of the market will support so as to give an average dividend, but in Co-operation the custom of the market comes along with the capital subscribed.

As a system of representative government in industry, Co-operation is similar, as we have seen, to the Cartel, since the central body, the Wholesale, is the servant of the local bodies, and does not govern or interfere with their local affairs. It is their buying

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agency, just as the bureau of a Cartel is its selling agency. And although this vast amount of well over 100 millions of trade is done in the Co-operative movement annually, the system does not create the problems of government which occur especially in the Trust. The freedom of the local store means that only matters of general interest reach the district meeting or the central board. Government is devolved and distributed so that it does not fall on a central body with the stress which creates the serious aspect of government in a Trust. In spite, therefore, of the fact that Co-operation has, like Trusts and other great businesses, adopted the method of securing its lines of communication by owning a transport system, a manufacturing system, and some estates in land of its own, its governing power is not in danger of being over-taxed by these new responsibilities.

Each of these types is of interest simply as a spectacular view of industry. They are aspects of government sufficiently different from each other to show that there is room in the industrial system for much variety of structure, and that the present variety is based upon differences in the nature of the goods traded in. Municipal industry appears

likely to absorb its own field more and more completely, but the Trust movement and the Co-operative movement are not unlikely to come into contact or conflict with each other in the field of transferable goods. At the present time the working classes do not realize that they are consumers of steel and timber and machinery, and of the goods which stand behind the articles of final use, but they are likely to realize this if such articles come to an increasing degree under the control of capitalist combines. There would then arise the question how far the Co-operative movement and Co-operative government was suited to the manufacture of these more technical and uncertain products. Or again, the conflict might take place with regard to those goods now purchased by the Co-operative from large private producers or combines of producers, in case the combines should desire to impose on the Co-operative, as consumer, the terms on which, or at which, they ought to re-sell. Conflict of this kind has already arisen on the ground that the Co-operative dividend on purchase is a breach of the agreement to sell at minimum net prices. This objection is not well founded, since it fails to observe that the Co-operative consumer is also the shareholder, and would be entitled

to his dividend in any case; but the conflict has raised the question how far the democratic organization of private business is protected against possible boycott by the capitalist organizations. The protection at present is of a threefold kind. In the first place, Co-operation has a large manufacturing reserve. It does not yet produce nearly up to the limit of its sales, so that a boycott from outside would merely stimulate Co-operative production. In the second place, so far as concerns goods not yet produced within the Co-operative movement, there is a large reserve of both labour and capital. A concern which covers one-fifth of the people could easily obtain in an emergency enough labour of almost any kind to staff a works of its own. As yet only a small part of the labour which forms the membership of the Co-operative is employed within the Co-operative. And in the third place, as things are now the Co-operative movement is too large to take liberties with. It would give even the strongest Trust bad dreams to think that its goods were withdrawn from the Co-operative market where others were being pushed instead. The Co-operative movement has now become a big bargainer, with the alternative of producing for itself, and has

little to fear from any restrictive agreements, such as the combines have often sought to impose.

Each of these forms of industrial government, the results of nineteenth-century evolution, has its contribution to make to the estimate of the future. Municipal trade indicates what means there are for keeping alive, under public government, the outside criticism of administration. The lesson of the Trusts is that many of the advantages of competition can be got from within great concerns, and under the regulation of one management, but that a fuller degree of devolution of government is desirable. Co-operation shows that the people have the ability to construct and govern industry, to devolve responsibility, and to choose and trust leaders of their own. Out of these results, one can gather the elements of a judgment upon the possibilities of more complete combination.

CHAPTER IX

DEMOCRACY AND LEADERSHIP

THE history of the nineteenth century and of the movements which have been studied in the preceding chapters may now be reduced to the statement of a problem which has been felt at every stage to underlie economic change. If we take any point in that history and consider the position both of opinion and of industrial development, it is always possible, according as we look backward or to existing conditions, to take either a hopeful or a despairing view. This is true of the end of the century as well as of the middle or of any point at which thought was active. It has always been found, that is to say, that there has been great material advance in the power of industry and the circumstances surrounding it, but that yet there is in industry itself some kind of flaw, such that the future must not only seek to make continued advances within the system, but must set itself to modify the

system. Mill and the Christian socialists were as conscious of this double attitude as are the social reformers of the present decade. For ever since the terrible circumstances which accompanied economic change at the beginning of the century gave rise to the protests of Cobbett and other early socialists there has been a constant succession in what may be called the non-academic professors of the economics of labour. And at the beginning of the twentieth century any one who writes on the assumption that industrial organization does not merely contain problems but *is* a problem, has ceased to be an economic heretic, and is in agreement with what is said by leaders of public opinion on every hand. We have seen how this problem shapes itself in the study of the nature of employment. It is necessary now to state it in its broadest features, and as it affects not only the change of the industrial system from within by such movements as Co-partnership and Co-operation, but also as it affects that system by the political influence which the working classes can bring to bear through the use of the franchise.

The title of this chapter indicates where, in the view of the writer, the problem lies. The relation of employment and the system

of competitive enterprise imply the government of the great field of national labour by those who are not under the direct industrial control of the people. We have to ask whether it is to be the settled form of industrialism that the policy by which goods are made and marketed is to be shaped on this non-representative basis, and if the great mass of the working producers are to wait for the call and to follow the lead of this kind of enterprise. This is a question which may fairly be asked without implying that every side of national life is open to the same criticism. There is leadership in art and in literature, with regard to which such a question would commonly be felt to be absurd. But leaving aside the problem of the limits of representative government as regards the goods of all kinds on which a nation lives, in industry, at any rate, history itself has shown that the question is in point and arises out of the real instincts of progress among wage-earners. This is so both because the supply of the material goods on which all the rest of life depends was at the beginning of the change possible for each worker on his own behalf before handicraft passed away, and because, therefore, combination and the development of a hundred years have taken from him an

independence which he once possessed; and again, because this field of the production and distribution of material goods is that for whose results and activities even the great organization of political government so largely exists; and because, in the third place, work itself, that is to say the right to make a just claim upon the goods of the nation, has become an object of search now that the complexity of the system has broken off the connection between the things which a man makes and those which he wishes to use. Rights to goods and rights to work are questions which have made the field of industry at any rate justly open to inquiry on the question of leadership and democratic control. And history further justifies such inquiry when we see how industrialism arose in advance of a true understanding of the nature of the change that was taking place, or of the possibility of its being fashioned while it was still pliable by the ideals of an educated democracy. The question of leadership is merely that of the control by the people of that which is most vital to any higher development—work and its products.

The largest part of the field of industry is that in which the forces are shaping themselves towards completer results in the way of non-democratic leadership, by the growth of

the Trust movement. The great personal qualities which have been required in building up this industrial mechanism and the wonderful view of organization which the Trusts present to us cannot conceal the greater sharpness which they give to the problem of leadership. The law can, as it does, forbid monopoly or the attempt to obtain monopoly, but the history of the law here and in America in its attempts to stem the force of economic combination has not been a distinguished one. We must realize that there is economy in the movement which saves the wastes of independent competition. If this is so the position of the leader in private capitalist industry will, under some name or other, continue to grow in strength and in the range of working conditions which can be controlled from it. Monopoly may be the just reward of special skill and efficiency; competition is in its nature the endeavour to obtain a monopoly, and legislation which attempts to enforce and maintain the régime of independent competition has shown itself likely to obtain only nominal success.

In this problem of leadership it is not only the material results which count. We have seen that the advance in material comfort of the working classes has in recent times been

very great, and relatively greater than that of any other class. We must take account now not only of the system of distribution that is the result of the wage relation in private industry, but of a spirit which has been fostered by the growth of political democracy, and which regards the relationship of employment and the scheme of industrial government as unsatisfactory simply as a matter of personal status. This spirit of democracy is an essential fact to reckon with in building up the future of industry.

No doubt the industrial leader is the person who both makes and takes the first risks of industry. He has to be paid for enterprise, and in considering whether the enterpriser's position is one to which democracy can permanently assent we must consider the chances of loss which he takes, and which are such as to reduce the average reward of invested capital to about 4 per cent. per annum. Is his position not more justifiable considering that many who lead fall in the industrial contest, while they furnish to the working classes the use of fixed machinery and stock which the chances of the market may render obsolete or idle ? Is our view of the personal status of the leader of industry not to be influenced by the low reward on his capital

to which, on an average, he can look forward? Are we to forget the off-set of risk in discussing the industrial position of the leader?

A very important point arises in answer to this question. The industrial system is such that the wage-earner is paid off at a rate which is supposed to discount his risk. It is because of this that he loses his claim to govern the internal affairs of the firm. Then the actual pay which he gets over a certain time is what the employer expected he would be worth when he offered him that rate at the beginning of the contract. In other words, his realized income and his expected income are the same. But consider the position of the employer. The rate which he may expect upon his capital averages out, in a great industry, at some 4 per cent., but the forces of industrial competition bring it about that the actual rate differs for each employer or body of employers. The realized incomes are usually different from the incomes which at the beginning may be expected on the capital. Those who lose in this competitive struggle increase the advantage of those who gain, and when we are considering leadership as a system what is of importance is not that an average of about 4 per cent. may be expected on the capital which they risk, but that very great surpluses

over and above this amount are in fact created by competitive conditions, and that in the result we have industrial leadership made stronger. It is to the realized gains that we must look and to the positions of industrial advantage that are given to the successful takers of industrial risk. The fact that many have fallen by the way in order to create the strong economic position of a great captain of industry does not lessen the force of the problem of leadership that is created in the result. On the contrary, it does much to make the problem more serious.

There is further a result of the concentration of property which is thus brought about which tends to intensify the problem. It is well known how the profits of some of the Trusts and great concerns have been applied to the trustification of other industries and to the spread of the personal influence of industrial leaders over broader fields. It is to the actual gains of invested capital that we owe the widest possibility of variation in personal wealth. There is a limit to this variation in the case of the incomes of wage-earners or salaried persons. The highest incomes of this kind, that is of personal effort, were found by inquiry to be only about twice as great as the incomes half-way up the scale. But in the case of

incomes which are due to successful industrial investments, the highest of such incomes were found to vary from those in the middle of the scale to quite an indefinite extent. So far, therefore, as under modern conditions industrial leadership secures success to certain of the leaders, it brings into force in a higher degree the cumulative and separating tendency of interest. The position of the industrial leader becomes less democratic as it becomes more elevated, and the spirit of democracy is not reconciled to it merely because the averaged profits of invested capitals come out at a rate far lower than the realized amounts of those who succeed.

In any case, we have already seen reason to doubt whether an industrial system could be called organic merely because it specialized the functions in different grades of labour, including the function of the risk taker. The force of circulation, as we saw, should be added to those of specialization, of combination, and of nervous interconnection. Even if there were a freer opportunity for personal capacity to move from one part of the system to another, many would doubt if the result were even yet organic. Classes not directly sharing in industrial government would remain even if individuals could move from one class to

another. When one is dealing with a system made up out of personal units, ideas of status and of personal values might well enter into the definition of what makes the system truly organic. If we find a disruption of the continuity of interests and sympathies at a certain level of the social structure, if a great class has different thoughts, different leaders, different literature, different standards for measuring men and things, from the entire body of the class above them—all this would not be cured merely by the facilities for individuals of superior energy and talent and self-denial to raise themselves from the lower of these grades to the higher. And similar reflections as to the organic unity of industrialism are suggested to us by the fact that the strongest internal influence on government which the working classes can exert is through bargaining, which holds in reserve the threat of a stoppage of work. And this contrast of interests has never been carried to a higher point than by the very recent movements which have aimed at making the armoury of bargaining still more formidable. Trusts and great businesses, as we have seen, have sought to strengthen their position by bringing under the control of one body of capitalists all the industries subsidiary to the main industry

concerned; while *on the same lines of advance* the labour movement is looking towards Syndicalism or the union of all workers of all kinds within an industry into the new bargaining unit of labour. Is this strongly armed peace more organic than the system of international politics, whose diplomacy rests upon armed forces held in reserve?

Of course the potential unity of all the forms of industrial combination is in the political power of the people. At present this influence is being used to redistribute, through taxation, and the imposition of obligations on employers, the surplus gains of industrial leadership. This scheme of redistribution is, in fact, the alternative which is preferred by all non-socialists to that of making industrial government directly democratic. As things are now, it could only be by political means that the change could be made which would make industrial government representative. Co-operation has shown that the representative government of industry is a possible scheme, which is not to be dismissed with the statement that modern industry cannot be conducted through committees. The Trusts themselves have shown that forces can be preserved within great industrial organizations which keep the advantages of compe-

tition and maintain the efficiency test. So that a political movement for a representative government and leadership is not out of touch with actual historical results ; and examples of the development of Trusts themselves, which have shown some new possibilities of industrial government, may quite well render transference to public control both necessary, in view of the invidious influence over the labour of masses of people which they tend to give to a few men, and easy, because of the centralizing work which they will have done.

This is merely a statement of possibilities or a warning against dismissing such results as impossible. But at the present time part of the problem of the democratic control of industry by the political method is that leadership spreads its influence from industry to politics itself. Leadership, indeed, over any one side of national life is a cumulative thing, and passes into a general leadership which implies a strong personal influence. It may be that the industrial influence of capital obtains, through the party system, a strong hold on politics. Or it may be that it becomes an influence over the movement of public opinion through control of the press. There is a nexus of relationships between the forms of leadership, the result of which is that the main

point of view that is publicly expressed and in the direction of which opinion is led is in favour of the system called Industrialism, though with constant improvements in the conditions of the people. Reform goes as far as such leaders shape it.

And even when we look at these things from the side of the people it is remarkable how the more advanced socialist opinions that are met with among the individual members of the electorate dissolve at times of political crisis or choice into a weaker solution of social reform. This result is due largely to the tremendous personal repute that has come to be attached in England, perhaps more than anywhere, to political leadership. It is a leadership not simply of causes, but of men and the thoughts and purposes of men. It has established so strong a grip on the people that it has created nothing less than a new English aristocracy. The opinion on any issue, whether closely or only remotely connected with politics, of a great political leader has a power over the minds of the people greater than that of the expert. Theology and Literature and Social Science can furnish well-known examples of this. It is against the personal force of this new aristocracy that democratic causes strike and fall back in

a weaker wave. And the constitution of political government in England brings in a further element of conservatism since it requires a constant connection between political leadership and the aristocracy of rank. The position of our Second Chamber in the government of the country actually requires that the Cabinet itself shall contain a large infusion of non-democratic and hereditary interests. It is such interests which have most to lose by the recent proposals for economic change. By contrast with this, only one representative of the working classes has ever sat in an English Cabinet.

Democracy, of course, is not forbidden to trust great personalities, but it is forbidden to submit merely to great names. Its spirit requires a real power of initiative and a constant power of check on public policies. And what can scarcely be said yet to exist in the political sphere is that type of leadership which democracy has created in the sphere of co-operative trade—the leadership which is tested in small things before being made guardian over great things, and which carries the sense of democracy with it as it rises from the bottom to the top of a system. Municipal government in England is not yet a training ground for political leadership.

On the contrary, local government suffers severely by the higher premium which has come to be set upon the political life in this country. Parliament alone is regarded as an honourable career by those of great social influence and leisure. Sympathy with the economic issue can only with difficulty arise with a true understanding from these sources. At the end of a century of leadership of this kind we are still in despair as regards fundamental economic conditions. And if the political power of the people is really to gather into a unity the various sides of the combination movement, the leadership must represent an interest in the people which is different, for example, from that which a fisherman has in fish. The people must not simply be the object matter of political careers. They must in a far greater sense than ever initiate policy. The economic issue will otherwise be constantly postponed to others which the people would never have chosen, but which, under the powerful personal influence of leadership, they are persuaded to believe in as vital—military, perhaps, or fiscal or diplomatic questions—which would often not have been raised at all but for the personal contest between powerful leaders who are still able to choose them and urge them and make

them the issues of long-drawn political campaigns.

Even movements which, if we look to the content of their proposals, would be called democratic, are not completely so if their success is won rather by personal force and the method of over-statement than by the adoption of their principles by a democracy which understands them. The ebb and flow of political opinion, its evolution, changes and fluctuations, show how superficial is the hold of policies recommended merely by the personalities who urge them.

As regards the conditions of life which have grown up with the evolution of industry, it is to local government and administration that we must look for their most adequate treatment. But even here, as is well known, the influence of national politics obscures the various problems of localities. So that it is not upon Housing or local by-laws for social improvement that municipal elections are fought, but upon the wide party issues of imperial politics. An increased respect for local government and an appreciation of its place in the social problem will not only exercise the minds of the people upon the things not done which lie nearest to them, but will also do much to lessen personal

domination in public affairs. As it is, the arena of public life is so narrow that the aristocracy which it creates, whichever party is in power, slights the reputation of our local affairs and retards the formation of a living democratic interest in city politics.

Other forces also must be taken account of in order to explain the relation of the democracy to the economic issue. We have already seen that at the opening of the twentieth century about one-third of the population of two English cities was estimated to be living in poverty. And other inquiries carried out on a national basis have shown a tremendous inequality in the distribution of the wealth of the nation, and yet at the same time it is a commonplace that the franchise represents mainly the power of the poorer sections of the people. What other forces are there which enable such a franchise to coincide with such results ? In other words, what makes for social peace spite of the unrest and ferment that is caused by the economic position ?

Here we return to the problem as to how far social organization is organic in its nature. A great Italian writer [1] has sought to explain the continuance of social peace on the ground

[1] Professor Loria.

that there are certain inorganic bonds which clamp or hold together the different sides of national life. While others are speaking of organic unity he prefers the name of "connective institutions," implying nothing more than the bare fact that these institutions do actually prevent social disruption. In his view religion and public opinion have had a double influence in this direction. They have prevented disruption partly because they have served to discipline the self-interest of those classes which stand for property and prevent them from exploiting the non-propertied or working classes to the full extent of their power. In the second place, these forces have acted upon the self-interest of the working classes themselves. They have, as he thinks, vitiated that self-interest by preventing it from asserting itself to the full extent of its rights. And thus these influences become, to him, the foundations of continued economic and social life. It may perhaps be true that there are countries, and Italy may be among them, where the teachings of religion have such a hold over democratic thought, but it is certainly open to question if such a remark could be applied to England; while apart from religious influence that which is called by Loria public

opinion is within the question already discussed of leadership and its results.

In this country there are three forces of which account has yet to be taken in the explanation of social peace. The first of these is habit. No better statement of its social influence could be given than that of the great psychologist, Professor James. "Habit," he says, "is the enormous flywheel of society, its most precious conservative agent. It alone is what keeps us within the bounds of ordinance, and saves the children of fortune from the envious uprisings of the poor. It alone prevents the hardest and most repulsive walks of life from being deserted by those brought up to tread therein. It keeps the fisherman and the deck-hand at sea through the winter; it holds the miner in his darkness, and nails the countryman to his log cabin and his lonely farm throughout the months of snow. It dooms us all to fight out the battle of life upon the lines of our nurture or our early choice, and to make the best of a pursuit that disagrees because there is no other for which we are fitted and it is too late to begin again. It keeps different social strata from mixing" (*Principles of Psychology*).

Secondly, charity in its manifold forms. Suppose it for a moment abolished, in

both its institutions and its subscriptions, and it is plain that from the lives of large classes of the people there would be removed a mainstay whose strength is scarcely realized.

Thirdly, there is a large class of goods not of a material kind, which are of tremendous value in relation to their cost. Classes of society, separated by conditions of wealth, do not in the same way vary in their power to enjoy them. They are the personal relationships of private social life. They have no economic measure. Inquiries into the manner of life of the nation have shown us what they count for in holding off economic discontent by their preoccupation of the thoughts and lives of the people.

Whatever has grown up in and around the industrialism of the nineteenth century has, from another point of view, been allowed to grow up; or at any rate, if we take account of the lateness of the development of public education, been allowed to remain. If the democracy does not yet, as a body, fully grasp the ideals of change of system within industry and of surrounding conditions of life which might follow thereon, but continues by slow steps to follow a more conservative lead for social reform—we must seek the reason in

these personal and social forces of leadership, habit, charity, and private life, which retard the will to press economic claims and rights to the full degree of the wish and the belief.

NOTE ON BOOKS

A COMPLETE bibliography of this subject would be in exhaustible. The following books have been chosen as bearing specially on the argument.

Mill wrote in the middle of last century, and looks both backward and forward, so that his *Principles* are a good basis of study. The most useful chapters are Book II, 1-4 and 11-16 ; Book IV, omitting 5 and 6 ; and Book V, chapter 11.

For general history, Porter's *Progress of the Nation* and Levi's *History of English Commerce* are the best. They should be supplemented by Cooke Taylor's *Modern Factory System*, Toynbee's *Industrial Revolution*, the tenth and fifteenth Essays in Giffen's *Economic Enquiries and Studies*, Bowley's *History of Wages*, and Bucher's *Industrial Evolution*.

Aspects of the industrial problem are dealt with in Cooley's *Personal Competition*, Baernreither's *English Associations of Working Men* (Part I), Loria's *Economic Foundations of Society* (Part I), Schloss's *Methods of Industrial Remuneration*, Meakin's *Model Factories and Villages*, Booth's *Life and Labour* (Vol. I, part i, and Final Volume), Rowntree's *Poverty*, Miss C. Potter's *Industrial Co-operation*, Mr. and Mrs. Webb's *History of*

Trade Unionism, my own *Industrial Combination* (Part II), and the volume of papers on *Co-operative Production* issued by the Labour Co-partnership Association.

Among official papers the most important are Cd. 3273 on the Agricultural Decline ; Cd. 7458 on Profit Sharing ; Cd. 4757 on Education ; Cd. 5346 and Cd. 5366 on Wage Bargaining, which should be read with a recent Annual Report on Trade Unions ; Cd. 4671 on the history of *Public Health and Social Conditions* since 1850 ; the Reports on Labour (1894), Home Work (1908), and the Poor Laws (1909).

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